



*CITYWIDE
BUSINESS PLAN*

SUBMITTED

2014-2019



PREPARED BY THE FINANCE DEPARTMENT

CITY OF KANSAS CITY, MISSOURI

CITYWIDE BUSINESS PLAN

2014-2019



CITY COUNCIL

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Jim Glover, Fourth District At Large

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John A. Sharp, Sixth District

City Manager

Troy M. Schulte

Director of Finance

Randall J. Landes

EXECUTIVE SUMMARY

This first edition of the Citywide Business Plan highlights several critical issues facing Kansas City over the next five years and begins to integrate vital but as yet disconnected efforts (performance measurement, trends analyses, structured change management, citizen surveys) into one comprehensive platform.

The plan is an important first step in breaking a pattern of successive single-year fixes, often implemented without a long-term view. **The strategic priorities and issues contained within this plan will be guiding factors for planning and resource allocation decisions in the future, and provide a structure to keep the entire organization focused on Council priorities.**

The objectives found throughout this report delineate management strategies to meet Council priorities and are organized per the following categories:

Citywide Objectives

1. Operationalize Council goals and objectives into a comprehensive, renewable five-year strategic plan.

2. Develop multi-year business plans for each department that meet service goals while staying consistent with financial realities.

Strategic Planning Objectives

1. Perform a financial analysis to evaluate the fiscal impact of proposed major expenditures and investments to determine a multi-year strategy for funding City priorities.

2. Link budget allocations to measured service levels.

Revenue Objectives

1. Maintain a balanced, diversified and administratively efficient revenue structure, not overly dependent on one sector or one tax base or external funding sources.

2. Revenues should be free from spending restrictions to allow adjustments to changing conditions. Develop appropriate renewal or replacement strategies for taxes with renewal requirements.

3. Remain diligent in evaluation of projects that could result in substitution effects, driving tax revenue away from non-TIF areas, and thereby resulting in lower aggregate revenue.

4. To the extent practicable and equitable, fee supported services should be self-supporting.

5. Consider both horizontal and vertical tax equity—the fair distribution of tax burden—on businesses, residents and nonresidents when considering new, renewing and continuing revenue sources. Leverage tax exporting opportunities—taxes paid by non-residents using City services—to ease the overall burden on the City’s taxpayers.

Expenditure Objectives

1. Adopt a model portfolio of services and adjust the City’s expenditure ratios as needed to maintain portfolio balance.

2. Evaluate alternative staffing and deployment models for public safety that improve outcomes and contain costs.

3. Contain health care costs, including opportunities such as healthcare self-insurance, expanded incentives for participation in health management programs, and plan design.

4. Evaluate staffing ratios to ensure effective and efficient service delivery.

5. Evaluate employee compensation to ensure levels are sufficient to recruit and retain quality personnel who can provide the highest level of productivity and customer satis-

faction.

6. Adopt ratios for an optimal mix of infrastructure financing methods (PAYG vs. debt financing vs. leveraged funds) that protects the City's investment, minimizes future replacement and maintenance costs, and ensures continued service.

7. Develop an equipment and vehicle replacement plan using standard life cycle measures. Implement an annual purchasing plan integrated with a performance management/predictive maintenance program to lower maintenance and acquisition costs. Consider the use of alternative vehicle options in place of government-owned vehicles.

Debt Management Objectives

1. Future bond issues for new spending should have a new revenue source.
2. Adopt debt issuance target ratios.

Legacy Costs Objectives

1. Ensure the actuarial soundness of the City's pension systems.
2. Address other post-employment benefits liability through either plan design changes, direct funding, or both.

Structural Balance Objectives

1. Adopt a plan to develop a structurally balanced budget by fiscal year 2018-19 based on the following factors: current expenditures equal current revenues, infrastructure condition assessment indices continue to improve toward stated goals, and long-term liabilities are addressed.
2. Develop a time-specific funding plan to meet the City's adopted goal of maintaining a fund balance of at least two months' worth of expenditures.

The five-year planning model contained in this business plan provides options to achieve both fund balance objectives by fiscal year 2018-19 with:

- 3.0% reduction in force and salary freeze in 2015-16
- one-time savings of \$5 million this current year and \$11 million next year
- revenue enhancements next fiscal year totaling \$4 million
- \$150 million, 5-year capital improvements bond program, repaid with a debt levy property tax.

The remainder of this report details the major components of the plan: the Strategic Planning Process, the Financial Strategic Plan, and the Five-Year Planning Model.

INTRODUCTION

In January 2013, the City Council of the City of Kansas City Missouri, established priorities/goals and performance indicators/objectives, to guide the budget process and to ensure the Council clearly communicates its priorities to City staff and the public. The Council's priorities, which appear in the City's 2013-2014 Adopted Budget, include the following:

- 1 | Cross Cutting Priorities (Customer Service)
- 2 | Public Safety
- 3 | Transportation and Infrastructure
- 4 | Neighborhoods and Healthy Communities
- 5 | Planning, Zoning and Economic Development
- 6 | Finance and Governance

Through the direction of City Manager Troy Schulte, the Finance Department was tasked to organize the Council's goals and objectives into a comprehensive Citywide Business Plan and Financial Strategic Plan for the City.

Strategic planning is the cornerstone of effective public management and resource allocation. Steps in this process include:

- Cataloging opportunities and threats to long-term financial health;
- Linking Council priorities to the annual performance budgeting process;
- Partnering with departments as they develop multi-year business plans that meet service goals while staying consistent with financial realities.

The blueprint for strategic planning involves:

- Trust: restoring the community's trust in City government;
- Transparency: revealing the complex decision-making processes and strategies required to deliver City services;

- Responsiveness: building a plan that considers the community's diverse needs and priorities; and
- Sustainability: maintaining the long-term financial health of the City while investing in the City's core service areas.

This plan provides objectives that delineate management strategies to meet Council priorities. The strategic priorities and issues contained within this plan will provide the Mayor and City Council with the information necessary to formulate long-term strategies to ensure the availability of City services at a level appropriate to meet the needs of the community.

Citywide Objective

Operationalize Council goals and objectives into a comprehensive, renewable five-year strategic plan.

The *Citywide Business Plan* is not designed to project the future of the City. The plan and the financial model within the plan will provide important benchmarks for elected officials and management to develop strategies for problem areas and to maintain positive trends. This first edition of the Citywide Business Strategic Plan contains three sections, organized into several chapters. The first section begins with a description of the strategic planning process, followed by an operational scan of the internal and external conditions facing the organization. The second major section of the document is the *Financial Strategic Plan*, which contains an analysis of revenues, expenditures, long-term liabilities and fund balance to build vital expert knowledge of the organization and its environment. Finally, the objectives identified in the Business Plan and Financial Strategic Plan are then used to inform the inputs and assumptions for the *five-year planning model*—factors that impact growth, reasonable growth rate assumptions, and critical values.

The City Council and management can use the five-year planning model to evaluate any number of scenarios using performance metrics, and can recommend strategies to achieve desired performance.

The City is positioned to begin transforming its budget process from an exercise in balancing revenues and expenditures one year at a time, to a tool that will be strategic in nature, encompassing a multi-year financial and operating plan that allocates resources based on the priorities identified by the City Council.

The following initiatives establish the groundwork for this plan: City Council goal-setting, performance tracking tools, citizen surveys, Citizens' Commission on Municipal Revenue (CCMR), AdvanceKC, financial trends report, and fiscal planning model. Building upon these efforts, the 2014-2019 Strategic Plan addresses several critical issues facing Kansas City over the next five years and creates the foundation for the City's annual performance budget by integrating these vital, but as yet disconnected, efforts into one comprehensive platform. The strategic priorities and issues contained within this plan will be guiding factors for planning and resource allocation decisions in the future.

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VISION STATEMENT

“Our local government will be nationally known for its transformative efforts that make Kansas City the community of choice for people to live, work, and play as a result of its business, educational, and cultural opportunities; sustainable, family-friendly communities; connectedness; safety; and vitality.”

PRIORITIES

CUSTOMER SERVICE

Monitor citizen demand and assess customer satisfaction for all service areas. Engage citizens in a meaningful dialogue about City processes, services, and priorities using strategic communication methods.

PUBLIC SAFETY

Ensure that Kansas City is a community where citizens can feel safe at home and work, can rely on responsive police, fire and emergency medical services, and can trust in an efficient municipal justice system.

PLANNING, ZONING AND ECONOMIC DEVELOPMENT

Develop a vital economy where businesses have opportunities for growth, citizens have opportunities for creating wealth and prosperity, and visitors consider Kansas City a desirable destination.

NEIGHBORHOODS AND HEALTHY COMMUNITIES

Utilize established plans in dialogue with the community, to determine neighborhood needs. Based on these needs, strategically focus city resources on a limited number of targeted areas within neighborhoods and leverage private resources in order to make an impact.

INFRASTRUCTURE AND TRANSPORTATION

Improve citizen perception of street and traffic-related infrastructure by ensuring efficient and effective provision of services, setting expectations via customer-focused communication, and strategically investing additional resources.

FINANCE AND GOVERNANCE

Strengthen, expand, and make judicious use of Kansas City's economic resources in order to achieve short- and long-term prosperity. Identify opportunities for improvement in processes or communication, and assess comparative citizen prioritization.



MISSION STATEMENT

“The mayor, council, and staff, together with community partners, strike to achieve a common vision to make Kansas City best. We employ innovative strategies to effectively and efficiently provide customer-focused services, improve public safety, and develop sustainable, healthy communities where all prosper. We lead by envisioning and embracing new approaches, inspiring, collaborating, measuring progress, and celebrating success.”

VALUES IN ACTIONS

A | ACCOUNTABILITY

We hold ourselves accountable for our actions, are fiscally responsible, and provide competent and efficient services to meet our community’s needs.

C | CUSTOMER SERVICE

We maintain high standards in providing city services. We work with courtesy, respect, and responsiveness to meet our customer’s needs.

T | TECHNOLOGY

We are committed to using technology to improve and revitalize City government and services and advance timely achievement of performance-driven goals and objectives.

I | INTEGRITY

We believe in complete honesty in all that we do. We have a high standard of ethics and commitment to public service.

O | ORGANIZATION

We recognize that our employees are the reason for our quality organization and excellent service record. We support employee development and seek opportunities for personal and professional growth.

N | NEW IDEAS & RISK = INNOVATION

We are open to new ideas, the basis for imaginative and resourceful problem solving.
We encourage employees to accept responsible risk-taking to transform a new idea into innovative service.

S | SUSTAINABILITY

We pursue environmentally sustainable practices and policies—both energy conservation and the promotion of environmentally responsible transportation and land use policies.

STRATEGIC PLANNING PROCESS

“In preparing for battle I’ve always found that plans are useless, but planning is essential. ”

Dwight Eisenhower

STRATEGIC PLAN PROCESS

All residents should have the assurance that their property and lives are as secure as the City can make them, that municipal transportation and utility infrastructures are in place and well-maintained, that the natural environment is safeguarded, and that life, health and safety ordinances and regulations are consistently and equitably enforced. Citizen-focused service delivery standards and performance measures provide the structure to deliver the highest level of productivity and customer satisfaction.

Strategic Plan Hierarchy

A successful strategic plan follows an organized hierarchy starting with the policy team's *Vision Statement*, which is "an aspirational description of what an organization would like to achieve or accomplish in the mid-term or long-term future." The *Mission Statement* is "a written declaration of an organization's core purpose and focus that normally remains unchanged over time."¹ The team then develops goals² and objectives³ to achieve the organization's mission.

The following is the proposed Vision Statement for the City of Kansas City organization:

"Our local government will be nationally known for its transformative efforts that make Kansas City the community of choice for people to live, work, and play as a result of its business, educational, and cultural opportunities; sustainable, family-friendly communities; connectedness; safety; and vitality."

¹ Source: *BusinessDictionary.com*

² An observable and measurable end result having one or more objectives to be achieved within a more or less fixed timeframe.

³ A specific result that a person or system aims to achieve within a time frame and with available resources.

This Citywide Business Plan submittal adopts the City Council's Vision Statement as its mission statement:

"The mayor, council, and staff, together with community partners, strike to achieve a common vision to make Kansas City best. We employ innovative strategies to effectively and efficiently provide customer-focused services, improve public safety, and develop sustainable, healthy communities where all prosper. We lead by envisioning and embracing new approaches, inspiring, collaborating, measuring progress, and celebrating success."

Finally, the Mayor and City Council adopted six priorities, or goals, to achieve its mission: Customer Service, Public Safety, Transportation and Infrastructure, Neighborhoods and Healthy Communities, Planning, Zoning and Economic Development, and Finance and Governance.

The key to success is found in a shared vision starting from elected officials to our city executives through department staff. City Manager Troy Schulte and Finance Director Randall Landes set in motion a plan to combine the City's Long-Term Financial Plan with General Services' successful Structured Change Management program as the delivery mechanism for the City's business plan. Both models contain strategic planning and budgeting, but integration of the two models (forecasting and capital improvement planning combined with project planning, performance measurement and business analysis) promotes a strong financial and performance organization.

The Structured Change Management approach to developing departmental strategic plans is designed to incorporate several essential components that traditionally have been handled as separate processes:

- A strategic plan for the Department;
- Strategic business plans for each division;
- Performance metrics, which the City Manager's Office has encouraged through the establishment of its performance management unit;
- Process mapping and analysis, which creates further effi-

ciencies through the streamlining of business processes and utilization of technologies;

- Budget analysis, which ties the finances to the business processes and performance measures and answers the question, “What are we getting for the money?” and,
- Improvements in internal and external communication which, ultimately, will enhance organizational performance. Enhancing customer service – both internally and externally – is embedded in each of these components.

Departmental Strategic Plans ensure that the City’s goals, activities, tracking, and financial resources are all working toward a shared mission and vision, and keep the entire organization focused on Council priorities. The initial departments, General Services, Finance, Human Resources, Neighborhoods and Housing, and Public Works, have already started to craft and implement their strategic plans.

The Mayor and City Council established a strategic plan with a mission and vision which serves as a promise to the public and an ideal for City staff. A well-structured plan to integrate the department plans with the City’s Strategic Plan will lead Kansas City to be the best, most effective and efficient city government in the United States.

Citywide Objective
 Develop multi-year business plans for each department that meet service goals while staying consistent with financial realities.

Hierarchy	Definition
Constituencies	Who we serve
Operational Scan	Factors impacting performance and funding levels
Core Values	What we believe
Vision Statement	What we strive to become
Mission Statement	What we exist to do
Goals	What we do to achieve the mission
Objectives	How we achieve each goal
Key Performance Indicators	How we measure success

EXECUTING THE CITYWIDE BUSINESS PLAN

This Citywide Business Plan will serve as the overall road map for funding the City's priorities during the next five years. The Plan will provide the City Manager the blueprint to define for our citizens where the City is and where it is headed. The Business Plan will ensure that all departments share in a clear purposeful direction and, through mutually-agreed priorities, inform the allocation of resources to meet Council-determined priorities.

Each year, tools such as the annual Citizens Satisfaction Survey, Internal Services Survey, CIPFA-GFOA FM¹ modeling, financial planning modeling, and Structured Change Management will help the Finance Department link the Council's strategic objectives to the Finance Department's long term financial plan. The Finance Department will facilitate a project plan to develop strategic plans for City departments and business plans for their respective divisions. All of those plans' objectives will be in alignment with Council priorities. As performance measures arise from these plans, they will be presented on the City's approved platform. Desired operational and financial performance will be utilized when crafting the City Manager's recommended budget.

Execution of the plan and allocation of resources to Council priorities in the plan will be managed by the Budget Division within the Finance Department via the annual budget process and allocation of resources. Spending decisions will be guided in future by priorities outlined in the Business Plan and Financial Strategic Plan.

Funding priorities will be guided by current environmental and operational analyses, revenue and expenditure

forecasts, debt analysis, financial balance analysis, and financial analysis linking the city's financial goals to the city operational priorities.

In addition, this new consolidated plan offers the following features:

- It is based on the shared vision of a unified City Council that adopted six goals.
- The plan clearly defines what the City will need to spend in order to achieve its goals and objectives – all based on Council priorities.
- Key Performance Indicators (KPIs) associated with the Council's priorities will make it possible to measure and monitor progress throughout their successful completion.
- The plan is designed as a fluid process. KPIs will be revised as necessary, for example, in the event that funding levels change.
- Actual vs. desired performance will be displayed on an open platform with explanations on how improvements will be attained. Performance will be compared and prioritized to assist in annual budget decisions and ensure alignment with the City's Five-Year Financial Plan.
- Budget analysts will assist departments in achieving the KPIs.

The plan combines strategic planning and other elements of the Structured Change Management process with long-range financial planning. **It will drive the budget process, ensuring that the Council's priorities get the attention, funding, and systems that make their achievement possible.** In addition, the plan integrates department plans with the City's Business Plan, thus bringing all of the plans together into a cohesive whole. Finally, since the goals and objectives will be measurable and monitored on a regular basis, the plan will demand accountability.

¹Chartered Institute of Financial Planning and Accounting – Government Finance Officers Association Financial Model. The City of Kansas City is a CIPFA-GFOA member.

New Structure of the Budget Division

The Budget Division will expand its mission to include four sections with dedicated resources:

- budget production;
- citywide strategic planning;
- performance management; and
- business and program analysis.

An essential component of the Business Plan is the five-year planning model that provides a new tool for staff to run budget scenarios that support decision making, in partnership with departmental and divisional business plans. The five-year planning model links operating, debt, and capital decisions in order to identify appropriate strategies to achieve the City's goals. Decisions will no longer be made in a vacuum, but within a framework of all competing interests and priorities. Furthermore, outlays will be evaluated with the same rigor a reasonable person would apply to personal or business investment. A review process will include both quantitative and qualitative analyses of proposed new expenditures including:

- direct and indirect costs;
- financing method;
- sources of revenue;
- service level impacts (maintain, enhance, or add new service); and
- issue to be resolved (protects resources, meets a legal requirement, saves money, improves quality of life, etc.).

Managing for Results

The departmental business plans provide greater clarity of the future direction of departments that aligns with Council priorities, and performance measurement helps assess whether current strategies are yielding those expected results. During the planning and budgeting process, the Budget Division will provide departments with the projected level of financial resources to expect over the next several years, and plans will adjust accordingly.

Through the further integration of the City's planning, budgeting, analysis, and performance management processes, the Council can expect that the decisions surrounding the budget process will be better informed. The fiscal planning model will be used as a management tool throughout the year by City staff to keep the organization focused on the goals outlined in the Business Plan.

There will be expanded partnership between the Budget Division, Performance Management Team, and departments. Departments are experts in their service delivery systems; therefore, the Budget Division will partner with the departments and divisions to identify the most meaningful objectives and measures to include in the budget.

Monitoring Results

The Citywide Business Plan process is built to be flexible and dynamic, requiring annual updates, reviews, and enhancements that can be modified to reflect current priorities. Periodic reports are issued, but the process is never final.

Staff will provide the City Council with periodic analysis and reporting on budget, performance, and business objectives. The annual Business Plan will provide an update on the progress made toward the City's priorities; and it will lay the foundation for planning future budget years. The report will include data from departments, results of citywide surveys, and performance measurement data.

The Business Plan and Financial Strategic Plan are the means we will use to monitor our progress toward both our City and department goals. A successful plan can lead to continuous improvement of program performance, improved customer service and strengthened accountability. Performance measures can assist in keeping budget discussions focused on expected outcomes, and give both policy makers and department management the language they need to have a discussion about what resources are needed and why.

OPERATIONAL SCAN

A successful strategic plan is supported by strong guidance from elected officials on what the organization values and believes to be important as expressed through official policy. This operational scan reviews the six priorities identified by the City Council: Customer Service, Public Safety, Transportation and Infrastructure, Neighborhoods and Healthy Communities, Planning, Zoning and Economic Development, Finance and Governance. Each priority is presented with the following components:

- Funding and performance issues
- Citizen Priorities (citizen survey results)
- Measures of Success (key performance indicators)

The Citizen's Priorities and Measures of Success associated with each priority will be instrumental in monitoring and reporting the results of this plan.

Public involvement in strategy development is crucial in order to legitimize the choices made to achieve structural balance, and ensure those choices reflect stakeholders' priorities and preferences for service levels. Citizens and the business community are customers of public services, owners by virtue of paying taxes and voting, and are partners in working to achieve public goals.

The top four priorities from the 2013 Citizen Survey results are:

- maintain streets and sidewalks
- reduce crime
- improve public transportation
- enforce neighborhood property maintenance

CITIZEN PRIORITIES 2013

Category of Service	Importance	Satisfaction	Rank
Streets/Sidewalks/Infrastructure	54%	25%	1
Police Services	42%	64%	2
Public Transportation	19%	37%	3
Neighborhood Services	18%	43%	4
Stormwater Management System	13%	37%	5
Water Utilities	16%	57%	6
Fire/Ambulance Services	24%	75%	7
Effectiveness of Communication	8%	40%	8
Customer Service	8%	44%	9
Parks and Recreation	10%	58%	10
Solid Waste Services	11%	68%	11
Health Department Services	5%	55%	12
311 Services	4%	58%	13
Municipal Court	2%	41%	14
Airport	4%	74%	15

CROSS CUTTING PRIORITIES

COMMUNITY OUTCOME STATEMENT

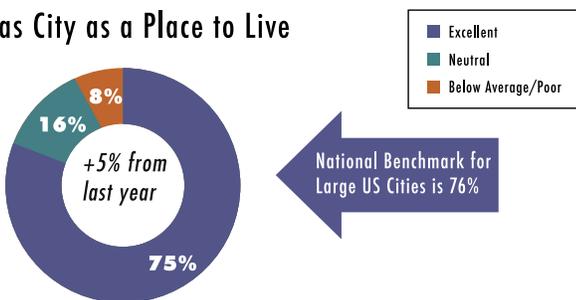
Kansas City will emphasize the focus on the customer across all City services and engage citizens in meaningful dialogue about City services, processes, and priorities using strategic communication methods.

FUNDING AND PERFORMANCE ISSUES

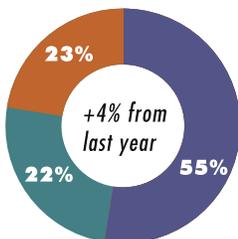
In November 2012, Strategic Customer Service Liaisons from City departments began working on the City Manager’s initiative to develop a citywide customer service strategic plan that provided a common vision for delivering customer-focused services and established a foundation for individual departments’ plans. The Strategic Customer Service Steering Team has developed a comprehensive Customer Service Strategy that provides the framework for departments’ Customer Service programs and goals.

Residents of Kansas City, Missouri have paid attention to City government’s commitment to maintain a livable, workable city. As noted in the 13th Annual Citizens Satisfaction Survey, residents think the City is a better place to live than during the last administration, and are more satisfied with City officials.

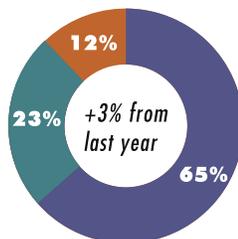
Kansas City as a Place to Live



KC as a Place to Raise Children



KC as a Place to Work



As part of the City’s efforts to engage citizens in the identification of innovative ways to govern more effectively, citizens have been actively participating in Committees, Commissions, Blue Ribbon Panels, Boards, and Task Forces – all of which are designed to make Kansas City a better place to live.

The City’s first Chief Innovation Officer was hired in 2013 to drive efficiencies throughout City Hall and work with Code for America fellows to find new ways to improve interactions with our citizens. To generate ideas from persons with fresh perspectives, Mayor James has empaneled the first Challenge Cabinet, a group of young professionals who have been called upon to help their city.

The goals of the City’s new Structured Change Management process are to increase efficiencies, realize cost savings for the City, maximize the potential of management and staff members, **and significantly impact customer ratings on services.** Every department and division within the City will participate in this process.

MANAGEMENT FOCUS AND ANALYSIS

Citizen Priorities

The Citizens Satisfaction Survey shows that Kansas Citizens think the City is a better place to live, raise children, and work than it was last year.

Measures of Success

- Percent of citizens satisfied with customer service from city employees
- Percent of citizens satisfied with communications from city
- Percent of businesses satisfied with city services
- Percent of customers satisfied with 311 service request outcomes

PUBLIC SAFETY

COMMUNITY OUTCOME STATEMENT

Kansas City will provide its citizens, businesses and visitors a safe and secure environment with a fair and effective system of justice and responsive police, fire and emergency medical services.

FUNDING AND PERFORMANCE ISSUES

In early April 2013, voters renewed the Health property tax levy dedicated to ambulance services, emergency medical services, and public health purposes, for nine more years. Currently, the City is working toward improved response times by ambulances, local fire, and rescue units.

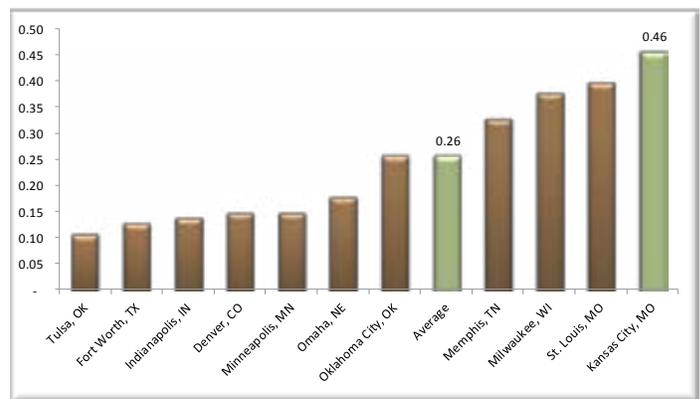
No Violence Alliance (NoVA), Hot Spot policing, and the closed-circuit camera pilot program support crime-fighting efforts and provide early intervention before violence occurs.

Crimes by Kansas City youth are a growing concern. The truancy rate is high, with 187 students from 7th to 12th grade picked up during 11 sweeps conducted between October 2012 and May 2013. The City recently added \$5 to the Municipal Court's parking fines to support quality, safe entertainment for youth, and continues programs focused on children's literacy, with the goal of both efforts to reduce crime among youth.

The City will issue bonds for \$14 million in the current budget year to facilitate completion of the new crime lab and renovated east patrol station.

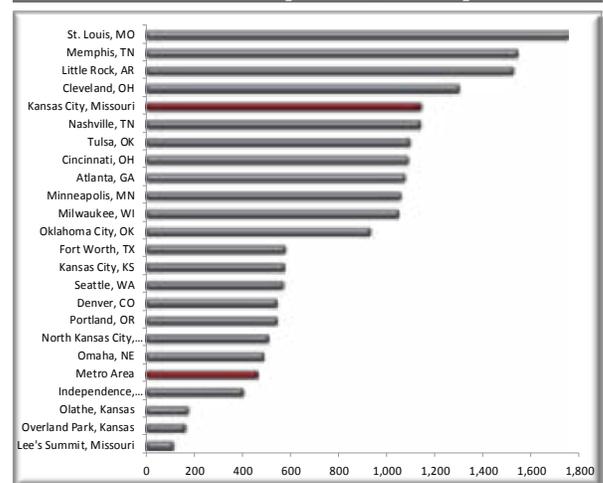
Kansas City has the only police department in the nation under state control. A possible connection of administrative functions creates an opportunity to capture efficiencies. A Mayor-appointed commission is studying several local governance options including transfer of police governance to the City.

Civilian Police Employees per Uniformed Officer



Violent crimes and property crimes are among the City's greatest concerns. As noted in the *Financial Trends Monitoring System Report: 2003-2012*, "the number of violent crimes per 100,000 inhabitants in Kansas City is well above the metro average, the Midwest regional average, and other cities in the metro area, but is comparable to other central cities."

2010 Violent Crime per 100,000 Population



MANAGEMENT FOCUS AND ANALYSIS

Citizen Priorities

As reported in the annual citizens satisfaction survey, the two areas citizens requested for improvements in this area are "overall police effort to prevent crime" (52%) and "how quickly fire and rescue respond to emergencies" (61%).

Measures of Success

- Response times for public safety services
- Citizen satisfaction with police and fire services
- Crime data

TRANSPORTATION AND INFRASTRUCTURE

COMMUNITY OUTCOME STATEMENT

Kansas City is adequately and efficiently served with well-maintained public buildings, coordinated public utilities, and effective multimodal transportation systems, as well as viable roads and bridges.

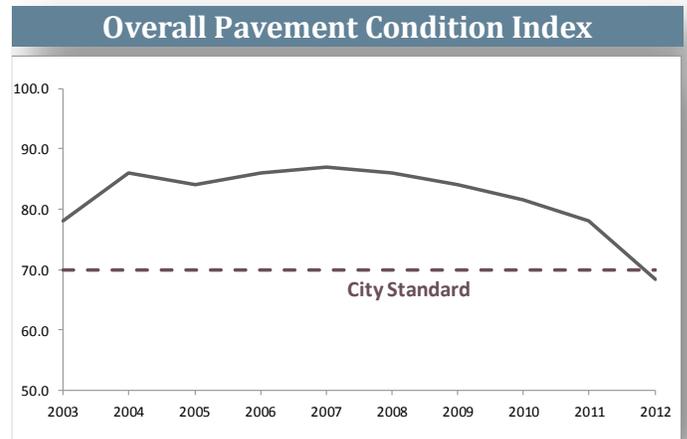
FUNDING AND PERFORMANCE ISSUES

In 2012, voters approved new funding for streets, sewers, parks, and modern streetcars. As a result, the City expects to spend approximately \$19 million this fiscal year to resurface around 240 lane miles of roads.

Compared to peer cities, Kansas City has far fewer residents to pay for road miles, pipes, sewers, and police and fire protection. With nearly 75% of the General Fund budget dedicated to Public Safety and Public Works, exploiting ways to export costs and import revenues from non-residents is essential for Kansas City's long-term fiscal stability.

refurbishment of infrastructure, and for the provision of effective transit capacity and service for its residents.

A lack of historical funding has created a backlog of deferred infrastructure maintenance and citizen opinion of infrastructure condition lags comparable cities. The City is reviewing its current rating process, which has overstated poor conditions in some cases, and will be adopting a national model to calculate a more precise PCI.



Pavement health is calculated using a Pavement Condition Index (PCI) to measure the extent and severity of pavement distress such as cracking, rutting, graveling, etc. The City's overall street inventory condition peaked in 2007 and has deteriorated each year since, and is now below the City's standard.

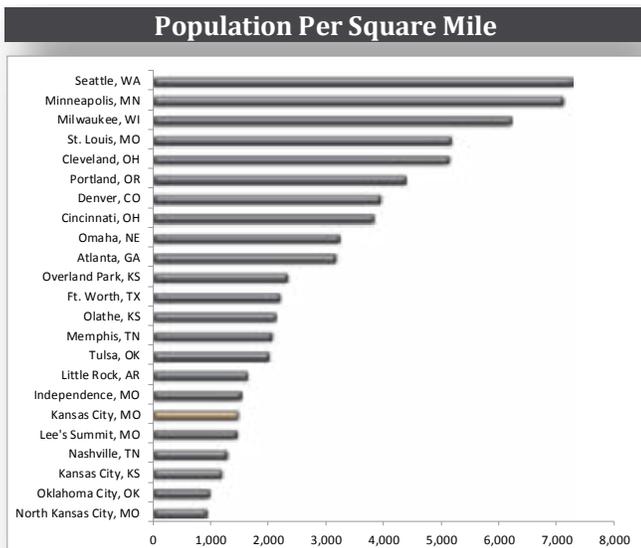
MANAGEMENT FOCUS AND ANALYSIS

Citizen Priorities

In the latest Citizen Satisfaction Survey, citizens gave low marks to the conditions of streets and other infrastructure – and indicated street maintenance is the area that should receive the most emphasis over the next two years.

Measures of Success

- Street condition index
- Citizen satisfaction with maintenance of streets
- Citizen satisfaction with public transportation



As with many aging U.S. cities, Kansas City faces critical needs related to the replacement and maintenance of its infrastructure. The City's geographic realities—a land area of 320 square miles, low densities, dispersed development—create challenges for the development, maintenance, and

NEIGHBORHOODS AND HEALTHY COMMUNITIES

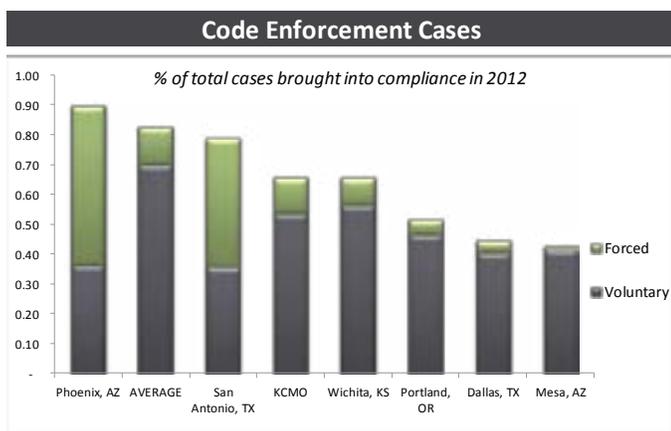
COMMUNITY OUTCOME STATEMENT

Kansas City is a community of strong, stable and livable neighborhoods with the amenities that citizens expect; and a community that ensures the health and well-being of its citizens and environment.

FUNDING AND PERFORMANCE ISSUES

A newly dedicated parks maintenance tax will fund improvements to park assets and high quality recreation programming.

The City participates in International City/County Management Association (ICMA)'s Center for Performance Measurement, created to help local governments obtain accurate, fair, and comparable data about the quality and efficiency of service. Kansas City's rate of cases brought into compliance is below the average of the 135 cities providing code enforcement resolution data in FY 2012, but comparable to peer cities.



As of last year, Kansas City had approximately 12,000 vacant lots and abandoned structures - magnets for blight and crime. This includes approximately 7,000 vacant houses. Loss of federal funding for housing and neighborhood development requires a new model for funding projects, especially in the urban core.

A recent increase in the Use Tax was devoted to the demolition or deconstruction of every dangerous building that posed a public safety hazard in the Greater Kansas City Chamber of Commerce's Big 5 Urban Neighborhood Initiative Area, the Green Impact Zone, and the Westside. To date, nearly 200 critically dangerous structures that could have injured inhabitants or been used as safe houses for criminals have been removed. The tools approved by the Missouri State Legislature in last year's Land Bank legislation, along with a high level of community input and involvement, have Kansas City well poised to make strides in improving neighborhoods block-by-block.

The City's Health Levy portion of the property tax makes it possible to allocate millions of dollars to seven external Safety Net Providers in Kansas City, Missouri, in addition to direct services through the City Health Department.

The Healthy Eating Active Living/Community Transformation Grant will focus on healthy eating options at corner stores and increasing the number and visibility of community gardens.

MANAGEMENT FOCUS AND ANALYSIS

Citizen Priorities

As reported in the annual citizen survey, two areas citizens requested improvements are "enforcing property maintenance for vacant structures" (38%) and "enforcing cleanup of trash on private property" (36%).

Measures of Success

- Citywide litter index
- Percent of community without easy access to healthy eating options
- Resolution of code enforcement cases
- Percent of citizens satisfied with park maintenance
- Youth participation in city provided programs (Night Kicks, Hoops, Club KC)

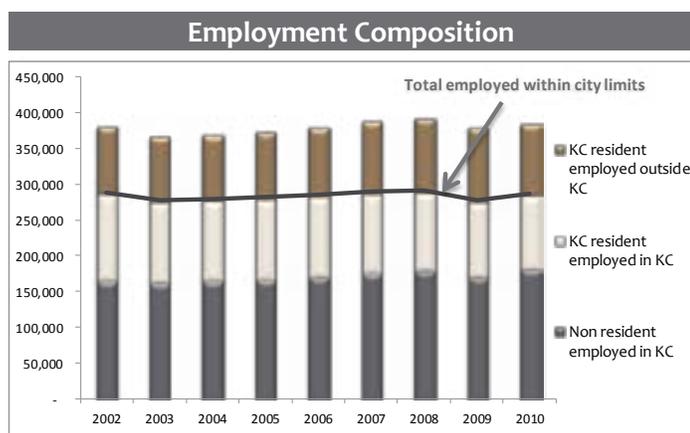
PLANNING, ZONING AND ECONOMIC DEVELOPMENT

COMMUNITY OUTCOME STATEMENT

Kansas City has a stable and growing economy in which businesses and citizens have opportunities for growth, increased wealth and prosperity, and visitors consider the City a desirable destination for business and leisure travel.

FUNDING AND PERFORMANCE ISSUES

According to Mid-America Regional Council (MARC), the City represents 55 percent of the region’s total employment, compared to 26 percent of the region’s population. Since 2001, Kansas City experienced a net loss of about 14,000 jobs driven mostly by losses in construction, manufacturing, transportation, amusement/recreation, utilities, and information sectors. Losses in construction, manufacturing and information sectors mirrors the experience of other cities locally and nationwide. The City has experienced employment gains in professional and technical services, education and health services, and health care and social assistance sectors. The employment rate remains relatively stable.



The selection of Kansas City, Missouri as one of the initiates of the new Google Fiber network will benefit neighborhoods and schools in targeted low income areas and could have a major impact on economic development.

Cerner Corporation, a leader in health care information technology and recently listed in Forbes magazine as one of the top 100 innovative companies in the world, is proposing the biggest office development in Kansas City history on the former Bannister Mall site.

The aging of the population and demographic changes—with older, more diverse, and smaller households—have a major impact on taxes. MARC points out that, with the maturation of the baby boomers, our region is steadily growing older. In fact, persons who are age 65 and older will nearly double in the next 20 years. And while the region’s population is growing (largely due to the explosion of growth in the Northland), the growth has primarily been in the edges of the metropolitan area rather than the urban core.

The City continues to restructure the Economic Development Corporation (as part of the City’s Advance KC project) in order to use development incentives more strategically. Tax redirections have nearly tripled in the last 10 years and in 2012 they represented \$50 million, or 8% of gross tax revenues. The City must remain diligent in evaluation of projects that could result in displacement and/or substitution effects, driving tax revenue away from non-TIF areas, and thereby resulting in lower aggregate revenues.

MANAGEMENT FOCUS AND ANALYSIS

Citizen Priorities

As reported in the most recent business survey, the top four business location factors that are *not* being met are: safety and security, streets and roads, public safety services, and utility/telecomm infrastructure.

Measures of Success

- Jobs retained/created
- Business satisfaction with customer service
- Rating of Kansas City as a place to do business
- Population growth
- Growth in assessed valuation
- Median household income

FINANCE AND GOVERNANCE

COMMUNITY OUTCOME STATEMENT

Kansas City is a community whose local government demonstrates effective, ethical leadership, sound financial practices, and efficient operating and support systems.

FUNDING AND PERFORMANCE ISSUES

The personnel structure of each department is reviewed during the budget process. This review has provided the foundation for identifying and eliminating specific vacant positions for budgetary savings but at the same time maintaining, or in some instances, increasing the effectiveness of City services provided to residents. The City has a Position Review Committee to review hiring and funding priorities throughout the year.

Each of the City's three public employee bargaining unions has active work agreements. AFSCME Local Union No. 500 is the City's largest union with an agreement that runs through April 24, 2015. The work agreement with the International Association of Fire Fighters Local No. 42 expires on April 26, 2015. The Local 3808 agreement expires on April 24, 2015. In addition, the agreement with the Fraternal Order of Police and the Board of Police Commissioners includes one step for catch up plus an anniversary step increase. Eligible law enforcement members will also receive a cost of living increase of 1.1%.

The City's General Fund unreserved fund balance tripled in the last decade to \$40 million, but remains below the city policy of two months' expenditures, and below the 18% national median for cities.

Kansas City's debt outstanding is over \$1.5 billion and debt ratios are above national medians.

The severe downturn in the market in 2008 and 2009 had a significant impact on the overall funding levels of the City

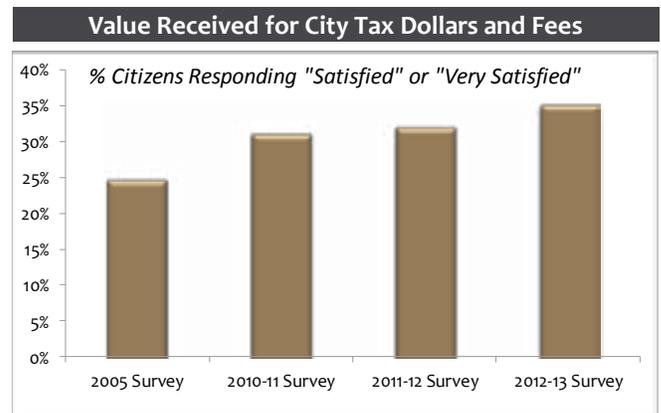
pension plans, which were near or above 90% funding in early 2008. Exacerbating the situation, the City has fallen short of making its recommended annual contributions since 2008. To meet the Actuarial Required Contribution (ARC), pension expenditures in the General Fund will be increased in the current year. The General Fund will see another large increase in Fiscal Year 2014-15.

In the last ten years citizens have passed eight taxes with sunset provisions and/or dedications, increasing volatility and uncertainty, while diminishing City Council flexibility to address changing needs. Missouri voters approved Proposition A, which requires Earnings Tax renewals every five years. Although Kansas City residents overwhelmingly approved a five-year extension through December 2016, the City's long-term financial health is vulnerable to renewal requirements of this critical source of operating funds (over 40% of General Fund revenues).

MANAGEMENT FOCUS AND ANALYSIS

Citizen Priorities

As reported in the annual survey, 35% of Citizens responded "satisfied" or "very satisfied" with the value received for city tax dollars and fees.



Measures of Success

- General Fund balance
- Structurally balanced budget
- Debt service as a percent of expenditures
- Pension systems funded ratios

ENVIRONMENTAL SCAN

An Environmental Scan is a catalog of community needs and resources that encompass economic and demographic characteristics such as population, employment, personal income, property value and business activity. The City's community needs and resources are different sides of the same coin. On one side, they describe the community's wealth and its ability to generate revenues; on the other side, they describe demands that the community will make on local government, i.e. public safety, capital improvements and additions, and social services.

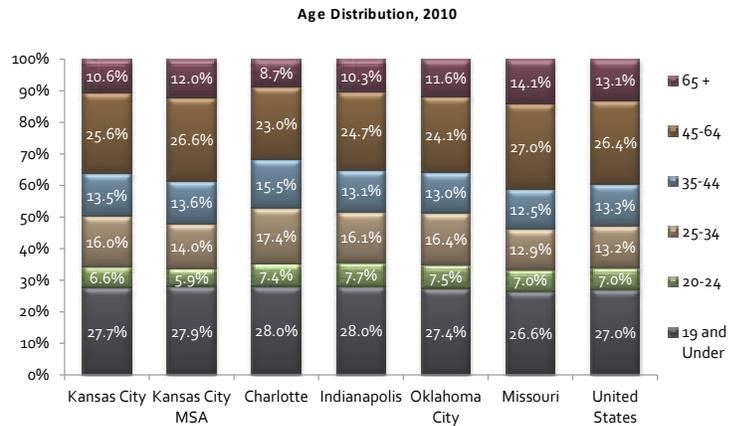
The needs and resources of a community are closely interrelated to one another; changes in one trend affect the other, and the changes are often cumulative. Indicators should prove valuable information for financial forecasting. In addition, they can inform policies or practices to avert negative trends before they develop or become serious.

The Environmental Scan uses data from the March 2012 AdvanceKC's *Competitive Snapshot* report prepared by Market Street Services. The Snapshot is organized into three sections according to the principal factors that are crucial to economic health of the City of Kansas City: its people, their prosperity, and the quality of its place. Highlights of that report follow.

People

- The City of Kansas City's population growth has languished behind its competitor regions, the state, and the nation. While the city as a whole is growing, individual districts within the city continue to experience significant population loss.
- Age composition and growth will present a critical barrier to the city's future economic wellbeing. In 2010, the City of Kansas City had the highest percentage of its total population between the ages of 45-64 (25.6 percent) of the three comparison communities in the snapshot. Only Missouri (27.0 percent) and the nation (26.4 percent) had higher

percentages. As these residents retire over the next twenty years, their quality of life will increasingly rely on a younger, highly educated workforce. The replacement population (20-44 year olds) for these retiring workers declined by 5.0 percent in the City of Kansas City and grew only 0.9 percent in the metro area. These trends could create a future gap in the City's – and region's – available workforce, placing strain on local employers and city service provision for the retirement population.

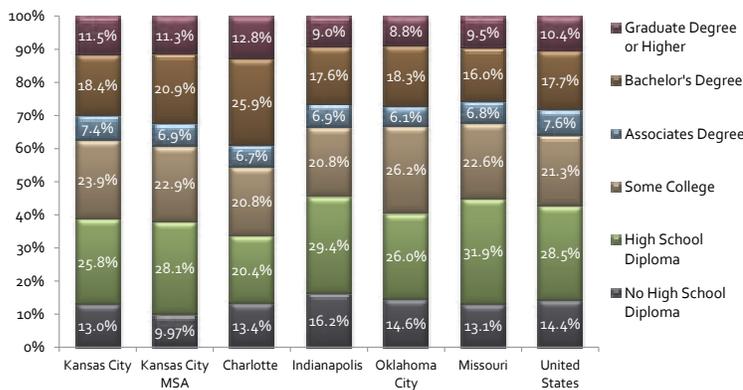


Source: U.S. Census Bureau
Community names reflect city unless otherwise noted.

- Racial divisions among neighborhoods also impede the city's ability to come together to address key issues, concerns, and opportunities.
- Per capita income in the three-county area has grown by 11.9 percent to \$37,258. However, rising bankruptcy rates as well as high poverty rates within the central city indicate that not everyone is benefiting from rising incomes. Since the official end of the recession, personal bankruptcy rates within the three-county (Clay, Jackson, and Platte counties) area have risen by 8.9 percent, faster than the other geographies examined. Moreover, poverty has further concentrated in the city over the course of a decade. By 2010, one in five City of Kansas City residents lived at or below the federal poverty line, with minorities disproportionately affected.
- The City has made positive gains in educational attainment, but needs to continue the momentum to compete with some of the nation's highest-capacity cities. In 2010, Kansas City had the lowest percentage of residents (13.0 percent) without a high school diploma relative to all three

benchmark cities, the state, and the nation. On the other end of the spectrum, 29.9 percent of city residents aged 25 or over held a college degree or higher. Kansas City's educated population serves as a key asset for the local employers. But, while these are positive dynamics, some cities boast bachelor's degree attainment of over 50 percent. Among the 287 cities in the United States with greater than 100,000 residents, Kansas City ranks 127th in four-year degree attainment.

Educational Attainment, 2010



Source: U.S. Census Bureau
Community names reflect city unless otherwise noted.

- Kansas City Public Schools' lack of accreditation presents a challenge to the city's current economic climate. Despite the fact that the city has certain well-performing districts, potential employers and businesses hold reservations about locating in Kansas City because of the high-profile struggles of its core district. Kansas City Public Schools has suffered from student enrollment decline and low graduation rates, likely as a result of declining student performance rates.

- Post-secondary institutions in the city are a boon to educational attainment in the city itself and the region as a whole. In the 2009-2010 school year, the number of higher education students per 100 residents in Kansas City totaled 9.6. Only Indianapolis (10.7 students per 100 residents) with its combined Indiana University/Purdue University campus had a higher per capita student population. In total, the city's thirteen institutions for higher education conferred 6,366 certificates and degrees in the 2009-2010 school year.

Prosperity

- Employment levels in Kansas City have underperformed relative to Charlotte, Oklahoma City, the state of Missouri, and the nation throughout the period between January 2000 and March 2011. Kansas City's employment index (January 2000 = 100) fell to 93.0 by March 2011. Only Indianapolis (91.5) fared worse than the Kansas City area at the end of the 11-year period. The Kansas City three-county area saw a recovery in employment between June 2004 and June 2008 in which it recovered 3.0 percent of its total employment; however, the Great Recession reversed these employment gains.

- Elevated unemployment as a percentage of working aged residents within Kansas City is a long-term concern. However, the city's comparison areas have also seen recent spikes in unemployment; rates in Charlotte (10.4 percent), Indianapolis (9.7 percent), the state (9.7 percent) and the United States (9.7 percent) rose markedly in recent years, placing these geographies on par with Kansas City's June 2009 unemployment rate of 10.4 percent.

- Key local employment sectors have faltered due to the recession. The City has high concentrations of employment in information, finance and insurance, management of companies and enterprises, and professional and technical services. However, if current trends continue, Kansas City may become less competitive in some areas. Between the first quarters of 2006 and 2011, the Kansas City core's information and management of companies and enterprises business sectors experienced five-year unemployment declines while professional services and management of companies and enterprises suffered from notable one-year job loss.

- Though Kansas City has seen employment declines, wages over the last five years have grown in 15 out of 17 business sectors. Sectors experiencing high five-year wage growth include many high-wage sectors that pay higher than the three-county average wage (\$45,333, or 93% of the U.S. average wage).

Place

- Greater Kansas City has a low cost of living relative to the nation. According to the cost of living index published by the Council for Community and Economic Research, in the third quarter of 2011, the overall index for the Kansas City urban area was 99.2 (national average = 100).
- One of the most important factors affecting a community's overall quality of life is accessibility to quality health care services. In its Well-Being Index – based on over one million surveys nationwide – Gallup-Healthways ranks Missouri as the 34th healthiest state in the nation, while Kansas City ranks in the top quartile of 1,888 metros at number 51.
- Housing in Kansas City is comparatively affordable, with values holding steady. Kansas City's housing affordability ratio is also very favorable. A median price home is 2.38 times the area's median income in Kansas City compared to 3.5 times nationally.
- Crime is a major issue in the city, in terms of perception and reality. In 2010, 1,140 violent crimes were reported for every 100,000 residents in Kansas City, a much higher rate than all comparison geographies except Indianapolis (1,200).

- Kansas City's central U.S. location makes the city very competitive for logistics employment and affiliated sectors. With the presence of four interstate highways, Kansas City is accessible to 83 percent of the country's GDP within a two-day drive. The Kansas City International Airport is likewise competitive with its 11 airline carriers, nonstop service to 49 destinations, and comparatively low average airfares.
- However, providing good infrastructure for new and existing residents and businesses is serious concern. Kansas City's geographic realities – a land area of 320 square miles, low densities, dispersed development – are probably most to blame for the challenges related to development, maintenance, and refurbishment of infrastructure. Its geography also makes it difficult for Kansas City to provide effective transit capacity and service for its residents.
- The city's dynamic supply of cultural assets and entertainment, dining, and shopping amenities is a competitive asset that many stakeholders would like Kansas City to better leverage for its future success. Compared to the benchmarks, the three-county Kansas City area boasts a higher concentration of arts-based non-profits with more revenues per capita.

Well-Being Index

	Overall Ranking	Life Evaluation	Emotional Health	Physical Health	Healthy Behavior	Work Environment	Basic Access
Kansas City, MO	51	36	70	62	156	56	42
Indianapolis, IN	113	98	86	75	168	107	93
Charlotte, NC	50	28	27	57	103	141	59
Oklahoma City, OK	125	53	128	110	176	124	129
Missouri*	34	33	26	31	39	22	30

Source: Gallup-Healthways

Note: Rankings based on 185 metro areas and 50 states where 1=healthiest place.

FINANCIAL STRATEGIC PLAN

We can't solve problems by using the same kind of thinking we used when we created them.

Albert Einstein

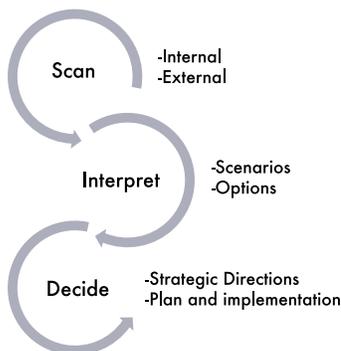
FINANCIAL STRATEGIC PLAN

The goals of strategic financial planning are to:

- Understand available funding sources
- Identify key variables that impact revenue
- Quantify opportunity costs of decisions
- Assess the likelihood that service levels can be sustained
- Assess the level at which capital investment can be made
- Identify future commitments and resource demands

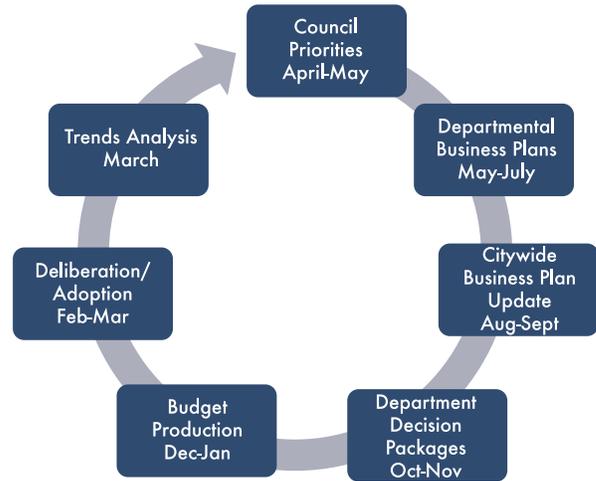
The overall goal is to break a pattern of successive single-year fixes, often implemented without a long-term view. An essential component of the Financial Strategic Plan is the five-year planning model that illustrates the likely outcomes of specific courses of action or factors affecting the environment in which the City operates. It is not a forecast of what is certain to happen, but rather a device to highlight issues or problems that must be addressed if goals are to be achieved.

Analysis of economic and demographic variables, revenues, expenditures, long-term liabilities and fund balance build expert knowledge of the organization and its environment, which is vital to the quality of the plan (10-Year Financial Trends Analysis). The results are then used to inform the inputs and assumptions for the five-year planning model—factors that impact growth, reasonable growth rate assumptions, and critical values. The five-year planning model links operating, debt, and capital decisions in order to identify appropriate strategies to achieve the City’s goals. Decisions are no longer made in a vacuum, but within a framework of all competing interests and priorities.



The planning process influences budget formulation by identifying financial parameters as part of the strategy to reach fiscal balance. The budget is then used to operationalize the financial plan by implementing specific financial strategies, ensuring a match between the financial plan and evolving service demands, and linking operating, capital, and debt planning efforts.

CITYWIDE BUSINESS PLAN PROCESS



Future enhancements will link expenditures to service outcomes, giving stakeholders a better understanding of each program’s operations, the variables that affect funding levels, and the impact of funding decisions on service levels. **Departmental analysis of funding needs, and the impact on outcomes and performance for various funding levels will be analyzed comprehensively, against all other competing considerations.** Citizens and policymakers will make choices, and understand the opportunity costs of those choices—changing the conversation from “we need to cut X”, to choosing service levels that lead to positive transformation.

For instance, the Fleet Maintenance division could show the average age of the fleet given different replacement scenarios, and the impact on efficiency for both maintenance costs and time spent out of service. The Street Maintenance division could highlight the impact of population changes by showing the projected number of street miles, estimated pavement condition ratings, and impact on future expenditures based on cost per mile data. Parks and Recreation could show the impact of adding parkland or changing the level of maintenance for existing parkland using cost data

and standards based on a set of specific factors such as visitation rates, plant types, and physical features.

Finally, performance audits will evaluate efficiencies (expenditures per employee). Comparisons to other jurisdictions will evaluate whether workload (employees per client) is appropriate. Once acceptable levels are determined, a forecast model that links expenditure choices to service levels and performance standards will give policymakers the tool to set priorities, make choices, and understand the opportunity costs of those choices.

This five-year planning model at the end of this plan begins with City Council goals and objectives based on what we know (Fiscal Year 2013-14 Adopted Budget, revenue forecast assumptions, known changes in expenditures, etc.) The “base” scenario is then recast to reflect what the City Council wants to achieve:

- Improved financial health
- Improved service delivery in selected areas
- An overall Capital Improvements funding strategy

Strategic Planning Objective 1

Perform a financial analysis to evaluate the fiscal impact of proposed major expenditures and investments to determine a multi-year strategy for funding City priorities.

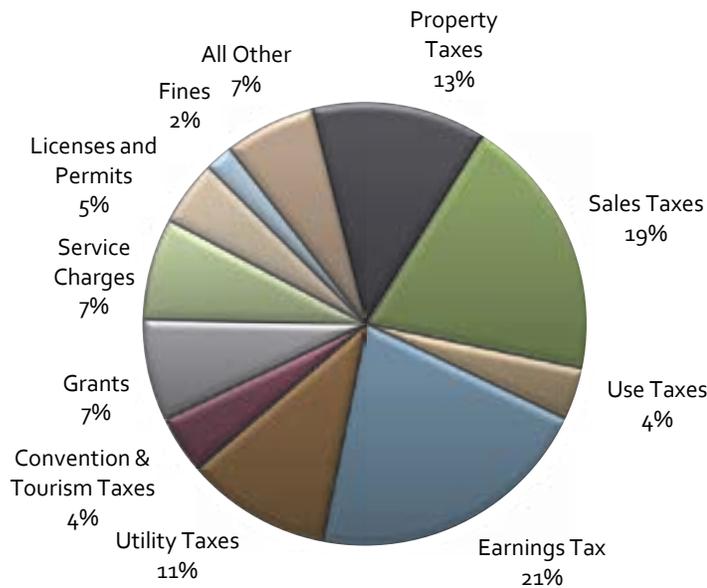
Strategic Planning Objective 2

Link budget allocations to measured service levels.

REVENUE HIGHLIGHTS

Governmental Activities Revenues: \$922.2 million

The City's current revenue structure is diversified and generally sound, drawing upon a variety of taxpayer types (resident/non-resident, individual/business) and tax base options (property, sales, earnings, utility). No single source provides more than a quarter of total revenues. This diversity is a major factor for reliability—revenues are mostly stable and protected from extreme fluctuations. Major taxes are efficient to administer, costing about one cent per dollar collected. Property taxes are relatively low, and a majority of other revenues are partially paid by non-residents using City services, easing the overall burden on Kansas City's taxpayers.



Revenue Objective 1

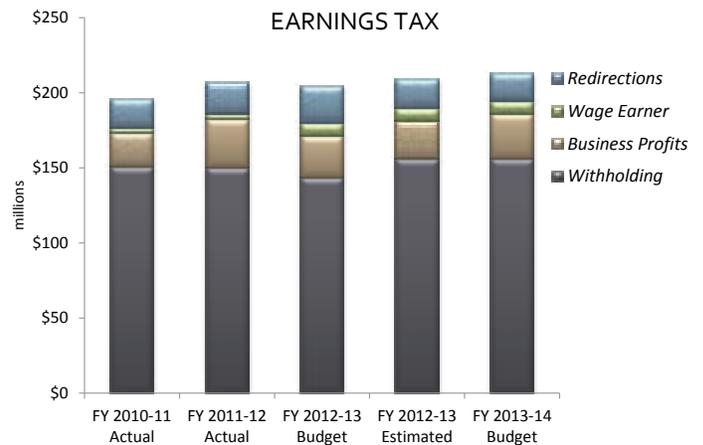
Maintain a balanced, diversified and administratively efficient revenue structure, not overly dependent on one sector or one tax base or external funding sources.

Earnings and Profits Tax: \$212.9 million

The City levies a one percent Earnings and Profits Tax on employee gross compensation and business net profits. The tax applies to all residents of Kansas City, Missouri, regardless of where they work, and to the earnings of non-residents working within City limits.

A potential threat to this important revenue source is Proposition A, which requires earnings tax renewals every five years. Although Kansas City residents overwhelmingly approved a five-year extension through December 2016, the City's long-term financial health is vulnerable to renewal requirements of this critical source of operating funds.

The City's earnings tax collections are closely linked to population, real personal income, local economy and employment rate.

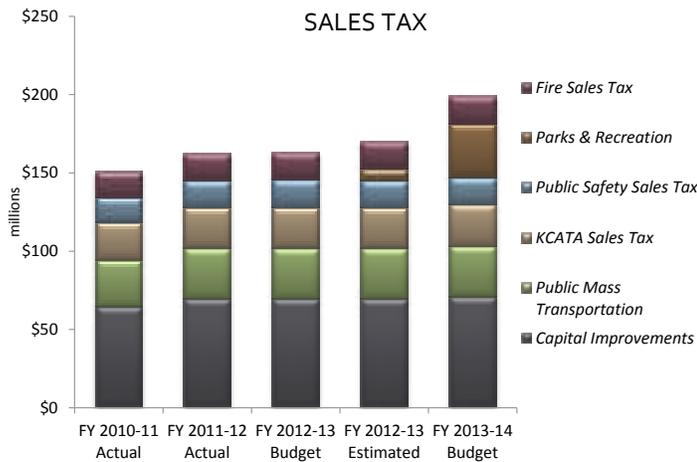


Staff recommends an initial growth rate assumption of 2.5% for the five-year planning model.

Sales and Use Tax: \$235.1 million

Some of the individual components of the City’s Sales and Use Tax rate of 2.875% have broader statutory authority than others, but all uses are currently limited more specifically by City ordinance or dedicated by voter approval to specific purposes.

A potential threat to this important revenue source is the growing trend of online sales. The City is not authorized to collect taxes on internet transactions unless the seller has a nexus in Kansas City, Missouri. Economic factors impacting sales and use tax revenues include inflation, income, the cost of consumer credit, and changes in retail development.



Staff recommends an initial growth rate assumption of 1.5% for the five-year planning model.

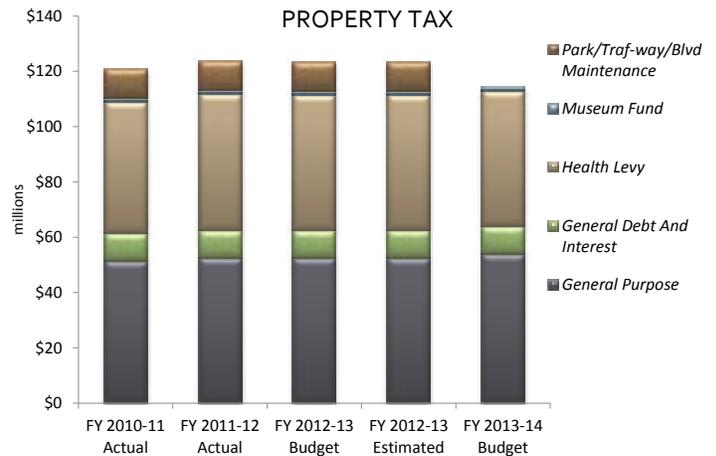
Revenue Objective 2

Revenues should be free from spending restrictions to allow adjustments to changing conditions. Develop appropriate renewal or replacement strategies for taxes with renewal requirements.

Property Tax: \$114.4 million

Property taxes are levied against the tangible assessed valuation of real and personal property. County assessors determine the taxable value of each parcel of improved and unimproved property in the City.

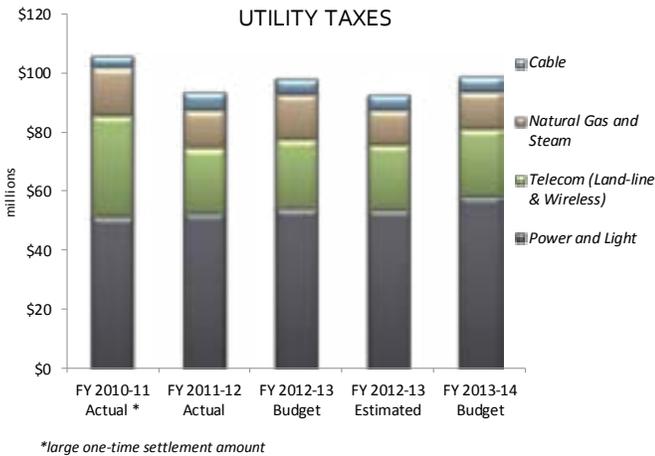
The Hancock Amendment requires an annual levy certification which limits both revenue windfalls and shortfalls. The maximum levy rates are allowed to increase by the lesser of the Consumer Price Index or assessed value growth, not including new construction or a new voter approved levy increase. As a result, property tax revenue is mostly stable: when market value increases, levy rates are adjusted down; when market value decreases, levy rates are adjusted up. Current collection rates have declined in recent years, most likely due to the recession and resulting foreclosures.



Staff recommends an initial growth rate assumption of 1.5% for the five-year planning model.

Franchise Fees: \$99.2 million

Franchise fees are assessments, based upon gross receipts, for electricity (4%-6%), natural gas (4%-6%), land-line telephone (4%-6%), wireless telephone (4%-6%), cable (5%) and steam (1.6%- 2.4%) utility companies.



The City’s franchise fees collections are dependent on utility rate increases granted by the Public Service Commission for electric and natural gas. Other factors that affect franchise fee revenue include consumption patterns (energy conservation and “green” initiatives), weather conditions, number of customers, competition (mostly in telephone and cable industry) and statutory exemptions.

Staff recommends an initial growth rate assumption of 3.5% for the five-year planning model.

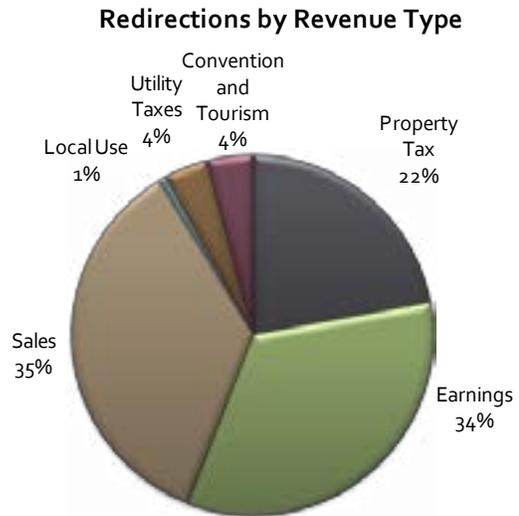
Tourism and Leisure: \$71.1 million

Tourism and leisure revenues consist of gaming taxes, arena fees (car rental and hotel-motel) and convention and tourism taxes (restaurant and hotel/motel tax). Collections were impacted by the economic downturn in 2008. Recent recovery is driven largely by gains in the Convention and Tourism tax and Arena Fee. Factors impacting revenues are average room and occupancy rates, market share, future event bookings, competitions and hotel and restaurant CPI.

Staff recommends an initial growth rate assumption of 1.5% for the five-year planning model.

Economic Incentive Redirections: \$55.8 million

Kansas City has benefitted from revitalization efforts that have been spurred by Tax Increment Financing (TIF) and Super TIF (STIF) agreements. Under these development agreements, the City transfers (redirects) some combination of economic activity taxes (EATS) and payments in lieu of taxes (PILOTS) to reimburse qualified development expenditures. Redirections of revenue are justified by a “but for” test: the development and resulting tax revenue would not have materialized “but for” the use of TIF/STIF. Redirections have nearly tripled in the last 10 years and in fiscal year 2013-2014 they represent 8% of gross tax revenues.



Revenue Objective 3

Remain diligent in evaluation of projects that could result in substitution effects, driving tax revenue away from non-TIF areas, and thereby resulting in lower aggregate revenue.

Business License Tax: \$21.6 million

Business license taxes are imposed for the privilege of doing business within Kansas City, Missouri. Business licenses are required of all businesses within the City and all businesses outside the City providing services within the City. There is no maximum fee and the minimum fee is \$25. Retail/wholesale, service manufacturers and contractors are billed according to gross receipts. Other businesses pay a flat rate according to occupations, and still others pay a fee per unit (per truck, per seat, per cab). Factors impacting business license tax revenues are local business activity, gross regional product (GRP), and collection efforts.

Staff recommends an initial growth rate assumption of 0.5% for the five-year planning model.

Service Charges: \$68.2 million

Services charges are user-paid fees for specific city services such as development, planning, and inspections fees and parks and recreation fees. Service charges have not kept pace with the growth in other revenue sources, which may reflect increasing tax subsidies to user fee-supported programs. Many cities produce periodic reports to measure cost recovery, including the amount and source of any subsidy for each fee-supported activity.

Revenue Objective 4

To the extent practicable and equitable, fee supported services shall be self-supporting.

Tax Burden

The City’s diverse revenue structure spreads the tax burden across businesses, residents, non-residents working in Kansas City, and visitors, each of whom benefit from and consume public services (horizontal equity). Generally, businesses taxes are low compared to national averages. Kansas City ranks high nationally with regard to state and local combined individual tax burden for most income

groups (vertical equity). The Finance Department of Washington, D.C. publishes an annual tax burden study, estimating the combined major state and local taxes for a family of three at various income levels living in the largest city in each state. In a 2011 ranking from 1 to 51, 1 being the highest tax burden, Kansas City’s overall ranking of 14 puts residential tax burdens in the highest 25% compared to national averages.

TAX BURDENS - KANSAS CITY AND PEER CITIES						
	25,000	50,000	75,000	100,000	150,000	Combined Income Levels
Kansas City	15	20	18	16	13	14
Denver	27	41	40	40	39	39
Memphis	29	46	48	48	47	48
Milwaukee	34	12	11	9	11	11
Minneapolis	40	16	16	18	16	17
Oklahoma City	43	38	37	36	36	37
Omaha	44	26	28	25	19	26

After many failed attempts to find equitable and affordable remediation to the high tax burden on the City’s most vulnerable population, the Citizens Commission on Municipal Revenue recommended that policymakers focus investments on improving the quality of life for those at the lowest income levels.

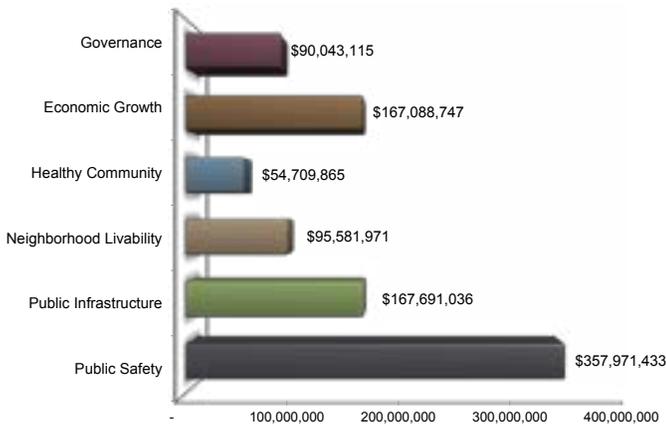
Revenue Objective 5

Consider both horizontal and vertical tax equity—the fair distribution of tax burden—on businesses, residents and nonresidents when considering new, renewing and continuing revenue sources. Leverage tax exporting opportunities—taxes paid by non-residents using City services—to ease the overall burden on the City’s taxpayers.

EXPENDITURE HIGHLIGHTS

Governmental Activities: \$933.1 million

Governmental Activities Funds include all funds except for Aviation and Water Services, which are called “Business-Type Activities.” Governmental Activities funds provide programs and services paid for by taxes, fees, and service charges such as Police, Fire, Public Works, Parks and Recreation, Neighborhoods and Health. Across all funds, Public Safety is by far the largest category at 38% of the total.



Economic Growth which includes Convention and Tourism, Convention and Entertainment Facilities, Economic Incentives, City Planning and Development, and the Kansas City Area Transportation Authority (KCATA) is nearly tied with expenditures for Public Infrastructure. These functions combined are still less than the amount spent on Public Safety.

The State of Missouri’s “low tax” badge comes at a price. Many services traditionally funded at higher levels by most states, such as health care and transportation, are shifted to the City.

Governance expenditures can be viewed as a proxy measure for overhead. At about 10 percent of the total, the City’s overhead is low compared to other local jurisdictions, where overhead ranges 10 to 20%.

Expenditure Objective 1

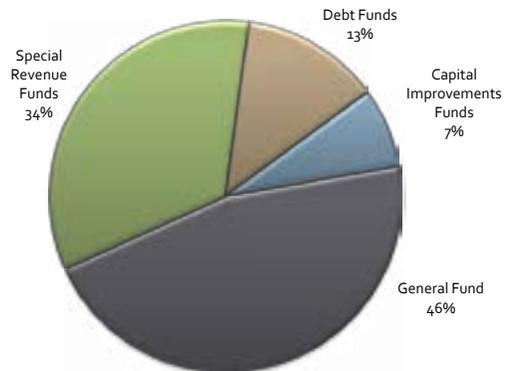
Adopt a model portfolio of services and adjust the City’s expenditure ratios as needed to maintain portfolio balance.

Expenditure Objective 2

Evaluate alternative staffing and deployment models for public safety that improve outcomes and contain costs.

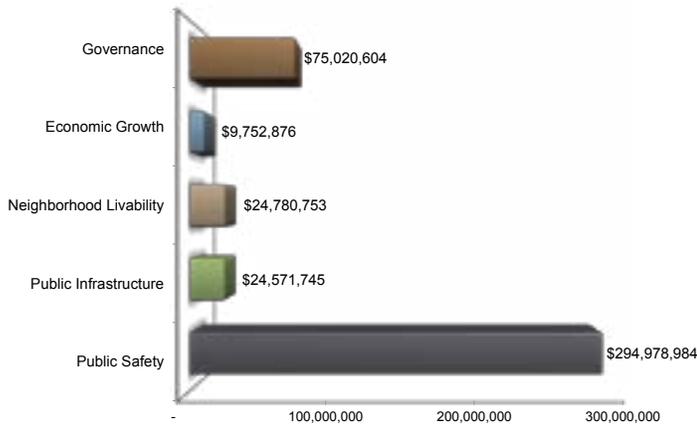
General Fund Expenditures: \$429.1 million plus \$50.5 million transfers out

The General Fund is the largest fund in the City, representing just 1 of 70 funds, but 46% of total expenditures.



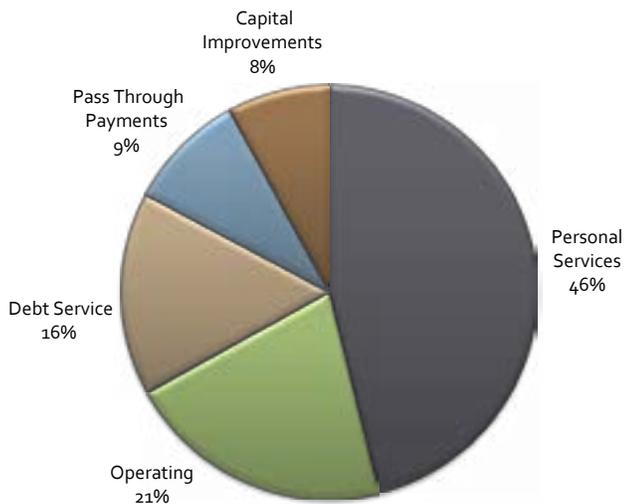
The General Fund provides many of the City’s basic services including police and fire, trash collection, and property maintenance. Additionally, the majority of City administrative activities are funded including legislative, financial, legal, information technology, and human resources activities.

Public Safety is the largest category, and one of the fastest growing activities, representing nearly 70 percent of total General Fund expenditures, not including transfers, in the 2013-14 Adopted Budget. A significant shift in spending priorities to public safety in the last 10 years has impacted the City's ability to address long-term liabilities and other critical non-public safety functions.

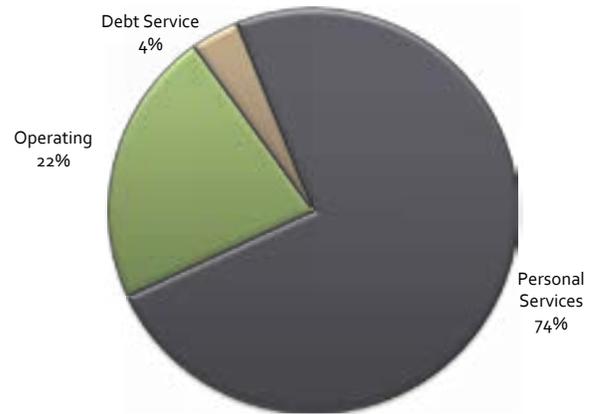


Expenditures by Appropriation Unit

Salaries and benefits (health and pension) comprise 46% of total Governmental Activities Expenditures.



In the General Fund, salaries and benefits comprise nearly three-fourths of total expenditures. Changes in any of these categories have a significant impact on the City's bottom line.



Based on historical trends and negotiated increases, staff recommends initial salary growth rates assumption of 4.0 percent for Police and Fire personnel and 2.5 percent for all other personnel; and 5.0 percent annual increases in employer health contributions for the five-year planning model. The planning model also fully funds the Actuarial Required Contribution (ARC) for employee pension benefits in each of the City's four pension plans.

Expenditure Objective 3
Contain health care costs, including opportunities such as health care self-insurance, expanded incentives for participation in health management programs, and plan design.

Employees and Reductions in Force

Detailed budgeted data and performance measures track the level and efficiency of service. However, the general level of service can be measured by the number of employees per 1,000 residents compared to similar jurisdictions, to determine whether levels are too high or mitigating circumstances exist. An increasing number of employees per population may signal higher service levels or service delivery inefficiencies, and require further review.

Employees per 1,000 Population

	Fire	Police	Non-Uniform
KCMO	2.0	3.1	6.8
Denver	1.5	2.4	11.3
Fort Worth	1.2	2.2	3.2
Memphis	1.9	4.0	4.8
Minneapolis	1.1	2.2	8.6
Oklahoma City	1.6	1.8	2.8
Omaha	1.5	2.0	3.1
St. Louis	1.7	4.0	12.5
Tulsa	1.7	2.0	4.3
Median	1.6	2.2	4.8
Average	1.6	2.6	6.4

Kansas City's ratios per population tend to be above both the median and the average of peer cities, especially in public safety. However, Kansas City's lower population density results in far fewer residents to pay for road miles, pipes, sewers, and police and fire protection. A city with compact boundaries and high population density can provide street maintenance and fire and police protection for less cost per household than if that same population is spread out over twice as much land area. Exploiting ways to export costs and import revenues from non-residents is essential for Kansas City's long-term fiscal stability.

Employees per Square Mile

	Fire	Police	Non-Uniform
KCMO	3.0	4.6	10.1
Denver	6.1	9.3	44.3
Fort Worth	2.7	4.7	7.0
Memphis	3.9	8.3	9.8
Minneapolis	7.5	15.7	61.1
Oklahoma City	1.6	1.7	2.7
Omaha	4.9	6.3	9.9
St. Louis	9.0	20.4	64.5
Tulsa	3.4	4.0	8.5
Median	3.9	6.3	9.9
Average	4.7	8.3	24.2

Although state law and the City Charter require the City Council to adopt a balanced budget, the City has implemented significant spending reductions in each of the last five years to achieve that balance, including a 20% reduction in non-public safety positions funded through general municipal revenues. More than half of the positions eliminated were in Park Maintenance, City Planning and Development, Street Maintenance and middle management. Other significant changes include closing the Municipal Correctional Institution, closing the greenhouse, privatizing the Animal Shelter and Aquatics Operations, and reducing the number of city departments.

The fact that these reductions have been persistent, and in some cases increasing, points to a structural imbalance that without additional resources will lead to even more austerity measures and disruption of city services.

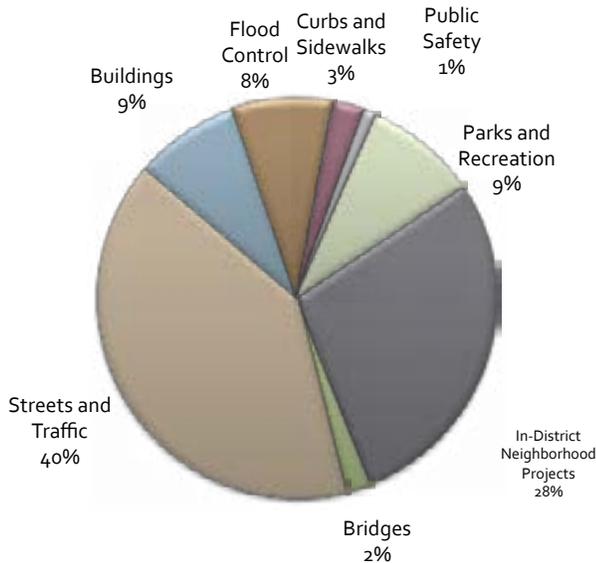
Expenditure Objective 4

Evaluate staffing ratios to ensure effective and efficient service delivery.

Capital Improvements and Infrastructure Maintenance

The decline of physical assets such as streets and buildings have far-reaching effects on business activity, property values, and operating expenditures. Detailed budget data and performance measures can be used to measure expenditures and deferrals by asset type, and gauge citizen satisfaction with asset condition.

Kansas City has had too many years of deferred maintenance. Those decisions to under-fund basic services and infrastructure mean the City now faces an exponentially growing gap between sources and needs. The City added more than \$10 million to pay-as-you-go capital expenditures in the 2013-14 budget but at \$73.6 million the level remains far below the amounts needed to address the backlog—that in all likelihood cannot be funded solely pay-as-you-go. The City needs a disciplined approach to funding infrastructure maintenance, or risk facing this same costly backlog again.



The fiscal planning model uses the five-year plan adopted by the Public Improvements Advisory Committee (PIAC).

Expenditure Objective 5

Evaluate employee compensation to ensure levels are sufficient to recruit and retain quality personnel who can provide the highest level of productivity and customer satisfaction.

Expenditure Objective 6

Adopt ratios for an optimal mix of infrastructure financing methods (PAYG vs. debt financing vs. leveraged funds) that protects the City's investment, minimizes future replacement and maintenance costs, and ensures continued service.

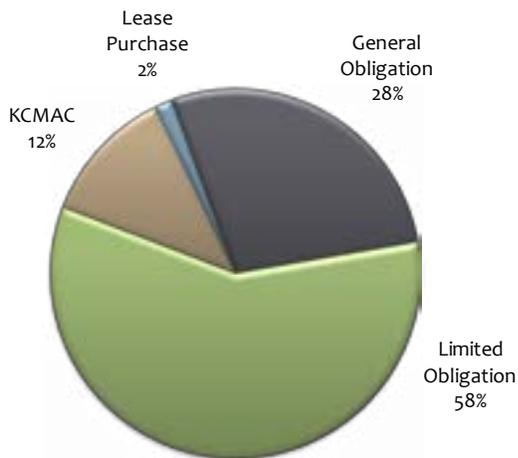
Expenditure Objective 7

Develop an equipment and vehicle replacement plan using standard life cycle measures. Implement an annual purchasing plan integrated with a performance management/predictive maintenance program to lower maintenance and acquisition costs. Consider the use of alternative vehicle options in place of government-owned vehicles.

DEBT POSITION AND CREDIT CONSIDERATIONS

As of April 30, 2013, the City had a total of \$1.562 billion of outstanding bonds issued both by the City and on its behalf through special purpose issuers, and secured by either an unlimited general obligation pledge, or a pledge of general municipal revenues, subject to annual appropriation. Special purpose issuers include: Kansas City Municipal Assistance Corporation (KCMAC), the Industrial Development Authority (IDA), the Tax Increment Financing Commission (TIFC), the Planned Industrial Expansion Authority (PIEA), the Land Clearance for Redevelopment Authority (LCRA), and the Missouri Transportation Finance Corporation (MTFC). While certain of these obligations are secured by various project-specific revenue sources, the City's annual appropriation pledge has been provided as additional security to bondholders.

Debt Outstanding as of 4/30/13
\$1.562 billion

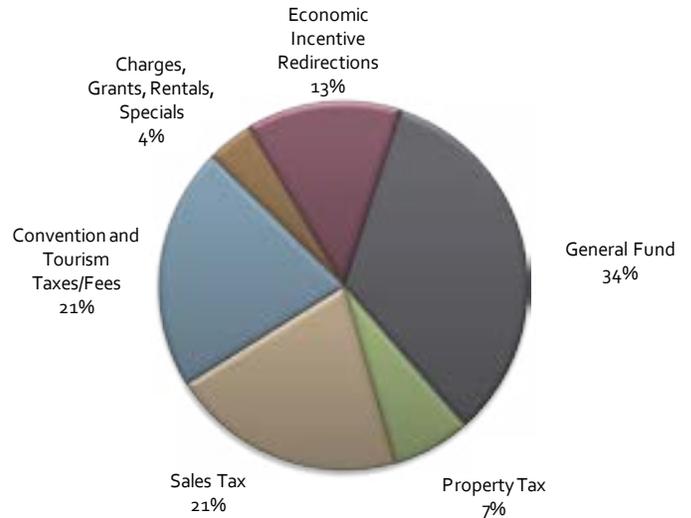


The City is authorized to issue general obligation bonds payable from property taxes to finance capital improvements upon a four-sevenths (4/7) majority vote of qualified voters at the general municipal election day or primary or general elections and a two-thirds (2/3) majority vote at all other elections. As of April 30, 2013, the City has \$435 million outstanding and no remaining general obligation voted authority.

The City may enter into financing arrangements for projects through lease-leaseback purchase agreements with not-for-profit corporations or bond issuing authorities, which may issue tax-exempt bonds without voter approval to finance City projects. The City has financed several projects through the Kansas City Municipal Assistance Corporation (KCMAC). The City appropriates annual lease payments under these lease arrangements in an amount equal to debt service on the bonds. These lease payments do not constitute an indebtedness of the City beyond the current lease term. As of April 30, 2013, the City had capital leases outstanding in the aggregate principal amount of \$188.236 million.

From time to time, the City enters into lease purchase agreements for real property and equipment. As of April 30, 2013, the City had an outstanding aggregate principal amount outstanding of \$24.407 million of such equipment leases.

Debt Service by Repayment Source



As of April 30, 2013, the City had outstanding a total of \$914.811 million aggregate principal in limited obligation notes and bonds that do not constitute an indebtedness of the City beyond the requirement to annually appropriate the required debt service.

The City's General Obligation credit ratings are Aa2 from Moody's and AA from Standard and Poor's. A strong credit rating allows the City to access capital markets to finance long-lived assets over a longer time horizon. Several major factors go into the review of the City's credit:

- Economic/Demographic
- Financial Condition
- Debt Position
- Management/Governance

The City has a relatively high per capita debt burden compared to its peers. While this is of concern to the rating agencies, it is mitigated by a strong and diverse economy, good financial position, and the adoption of, and demonstrated adherence to, codified financial policies. Recent credit rating reports point out areas of concern, which include the requirement to renew the earnings tax every five years and the previously-noted high debt burden. In addition, the rating agencies have cited *that new debt issuances without the existence of a dedicated revenue source for repayment would be cause for a downgrade in the City's credit rating.*

Debt Level Comparisons

Peer City	Direct Debt Per Capita	Debt Service as a % of Exp's
National Median	\$1,948	15.3
Kansas City, MO	\$3,352	15.0
Denver, CO	\$2,807	10.6
Ft. Worth, TX	\$1,109	11.4
Memphis, TN	\$1,948	11.4
Minneapolis, MN	\$1,862	19.4
Oklahoma City, OK	\$1,176	15.3
Omaha, NE	\$2,029	21.3
St. Louis, MO	\$3,015	10.4
Tulsa, OK	\$1,024	14.2

It is likely the City will issue more debt in the next five years, especially with the downtown streetcar project, a potential convention center hotel project, and significant infrastructure needs on the horizon. In an effort to ensure that capital markets are still accessible to the City but that progress continues, the City should consider debt issuance targets which seek to:

- Structure future issuances to retire more than 60 percent of principal in ten years;
- Limit annual net growth in debt to growth in population or economy;
- Limit debt service as a percent of governmental activities revenues to under 20 percent (currently around 15%);
- Tie debt issuance to growth in fund balance; and
- Issue debt with a new, dedicated revenue source for repayment.

The degradation in debt ratios is not the only factor that will be considered by the credit rating agencies with the issuance of new debt. The essentiality and risk of the project itself will also be taken into consideration. As a result, a \$100 million issuance for public infrastructure with the debt levy portion of the property tax as the repayment source will likely be viewed more favorably than \$100 million for a project without a dedicated revenue source.

Because current debt levels are high compared to peer cities, the impact on the City's credit rating from issuing additional and significant levels of debt must be a primary consideration. Credit rating agencies cite explicit voter authorization of new revenue to cover new debt as essential to protecting the City's rating, and ultimately its cost to borrow.

Debt Management Objective 1

Future bond issues for new spending should have a new revenue source.

Debt Management Objective 2

Adopt debt issuance target ratios.

LEGACY COSTS

Pension Plans

Substantially all City employees and elected officials of the City, as well as employees of the Police Department, are covered by one of the following contributory, single employer, defined benefit retirement plans: Employees' Retirement System, Firefighters' Pension System, Police Retirement System or Civilian Employees' Retirement System of the Police Department. These plans pay a monthly pension to qualified individuals upon retirement. The amount is based upon a combination of years of service and annual salary. The City's ongoing cost of these plans, along with long-term health care obligations, are referred to collectively as Legacy Costs.

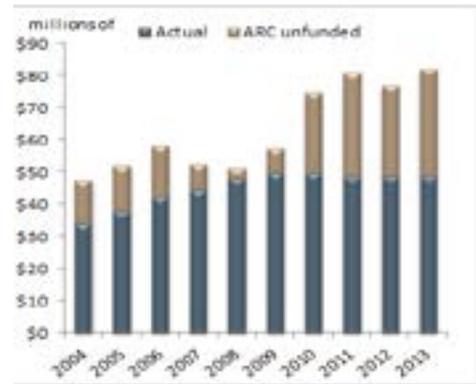
Funding for the plans is provided by contributions from the members, the City and earnings on investments. The City's contribution is set by the City Council in conjunction with its approval of the annual budget. Each year, financial advisors prepare an *Actuarial Required Contribution (ARC)*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. **The actual contribution rates approved by the City Council have been less than the rates recommended by the actuary in four of the last eight years (Employees'), five of the last eight years (Firefighters') and all of the last ten years (Police and Civilian Employees').**

Currently the Employees' Retirement System is 80.7% funded, the Firefighters' Pension System is 76.4% funded, the Police Retirement System is 78.0% funded, and the Civilian Employees' Retirement System is 76.0% funded.

Legacy Costs Objective 1

Ensure the actuarial soundness of the City's pension systems.

Annual Pension Payments



The five-year model assumes substantial increases to contribution rates in line with actuarial assumptions for ongoing pension liabilities.

Other Post-Employment Benefits (OPEB)

The City sponsors a single-employer, defined benefit healthcare plan that provides health care benefits to retirees' and their dependents, including medical and pharmacy coverage.

The City requires retirees to pay 100% of the same medical premium charged to active participants. The rates being paid by retirees for benefits are typically lower than retiree rates for private individual health insurance policies. The difference between these amounts is the implicit rate subsidy, which is considered an Other Post Employment Benefit (OPEB) under generally accepted accounting principles.

Accounting principles do not require funding of the OPEB liability and at this time, the liability for the City is unfunded. Contributions are made to the plan on a pay-as-you-go basis through the rates paid by the City and employees. Similar to pension costs, the City's annual OPEB cost is calculated on the annual required contribution of the employer (ARC). The annual OPEB cost for the year ended April 30, 2013 was \$9.6 million.

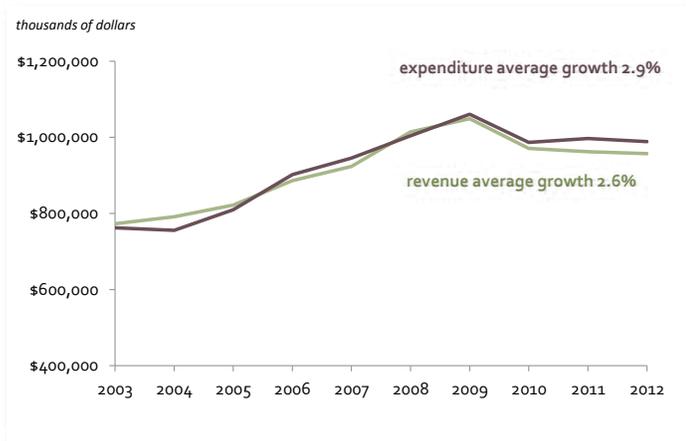
The five-year model assumes pay-as-you-go contributions.

Legacy Costs Objective 2

Address other post-employment benefits liability through either plan design changes, direct funding, or both.

STRUCTURAL BALANCE

Managing for structural balance guarantees services promised today can be funded tomorrow. Over the past ten years, the City’s average expenditure growth has exceeded average revenue growth, often requiring service reductions to achieve a balanced budget as required by State statute and City charter. Revenues declined significantly during the recent recession, forcing the City to make significant cuts to expenditures that were more reactionary than strategic.

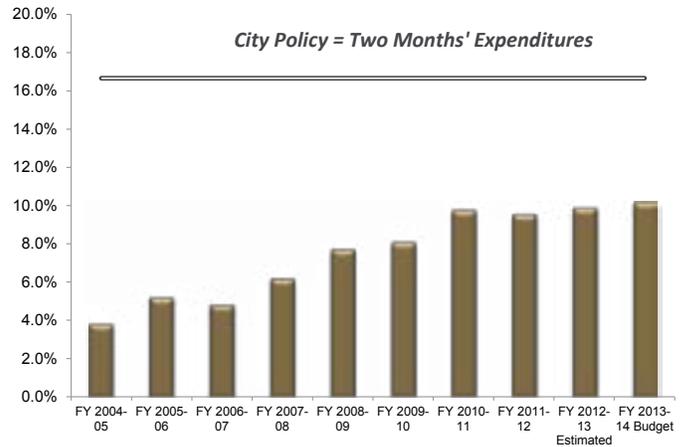


The financial health of the City is partly determined by the level of fund balances available to cushion revenue shortfalls caused by economic downturns, emergencies, or uneven cash flows. To determine the appropriate level of reserves, the City must consider the volatility of its revenue base, its liquidity and ability to borrow, and the likelihood and magnitude of extreme events such as infrastructure failure, natural disaster, and economic downturn. Because sizing a reserve requires estimating highly uncertain events, the Government Finance Officers Association (GFOA) uses a “Triple-A” approach to determine reserve requirements:

- **Accept** we are subject to uncertainty, including events we haven’t imagined.
- **Assess** the potential impact of the uncertainty.
- **Augment** the range, as uncertain events will almost always be greater than historical baselines which cannot possibly account for all future possibilities.

General Fund unreserved fund balance remains below the City’s policy of 17%, two months’ expenditures (which is

also GFOA’s minimum baseline).



The 2012 report by the Citizens’ Commission on Municipal Revenue stated, “Given an ambitious plan to issue significant additional debt over the next few years, the City will need to show credit rating agencies a plan to maintain or improve its reserves. The City’s stated goal of two months should be considered a minimum threshold. The City should strive to increase its General Fund balance by at least 1% per year until it reaches three months or 22%, thereby bolstering its case for AAA rating consideration.”

The five-year model assumes General Fund reserves are increased at least one percent per year until the Council goal is achieved.

Structural Balance Objective 1

Adopt a plan to develop a structurally balanced budget by fiscal year 2019 based on the following factors: current expenditures equal current revenues, infrastructure condition assessment indices continue to improve toward stated goals, and long-term liabilities are addressed.

Structural Balance Objective 2

Develop a time-specific funding plan to meet the City’s adopted goal of maintaining a fund balance of at least two months’ worth of expenditures.

FIVE-YEAR PLANNING MODEL

However beautiful the strategy, you should occasionally look at the results.

Winston Churchill

FIVE-YEAR PLANNING MODEL

The purpose of financial planning is to reduce the likelihood of resorting to worst-case financial alternatives, except in the most extreme circumstances. With a five-year planning model the City can:

- assess the current environment and respond to changes;
- estimate the long-term financial implications of current and proposed policies;
- illustrate the likely financial outcomes of particular courses of actions;
- develop commitment to the organization’s mission and achieve consensus on strategies and objectives for achieving that mission.

The model forecasts both revenue and expenditures, but in very different ways.

Revenues

The question answered in a five-year planning model related to revenues is: What is the likely level of resources the City can expect given certain changes in economic and demographic variables? Revenues are impacted by many variables largely outside the City’s control. Finance Department staff uses sophisticated modeling to identify those variables and to correlate them to anticipated revenue collections. These revenue models provide a range of future growth rates that are then used to estimate the level of funding available for budget deliberations. Growth rates will now also inform the model.

Expenditures

The question answered in a five-year planning model related to expenditures is: What changes in funding and/or service levels are required to meet our highest priorities? Expenditures are impacted by economic and demographic variables, but expenditure levels can be controlled through management decisions. Because the City is required to

adopt a balanced budget each year, expenditures are matched to available resources. Now, the long-term impacts of those choices can be evaluated in the model.

Current forecasting practice is to present current expenditures times a growth rate (for example, each department can increase the budget by 5%). Implied in this growth rate are assumptions for inflation, population changes, and expectations for service demand. An expanded formula breaks out these assumptions.

$$\text{Expenditures} = \frac{\text{Employees}}{\text{Population}} \times \text{Population} \times \frac{\text{Expenditures}}{\text{Employees}} \times \text{Growth Rate}$$

This equation provides a plausible story about the future using the world of today as a starting point. It assumes that the ratio of current expenditures per employee is the most efficient level of service delivery that can be achieved in the near future. And it assumes that the ratio of employees per population is adequate. Given these two truths, the equation then forecasts the current level of service forward for changes in economic and demographic assumptions.

Scenarios

The model generates alternative “what if” scenarios based on varying assumptions for population, inflation, mandates, number of employees, salary increases, health care costs, capital requirements, and many more. Although it is common practice to develop pessimistic, optimistic and “most likely” scenarios, planning is more valuable when scenarios chosen are all equally plausible. This allows strategic decisions to be tested against likely outcomes, not potential extremes. And this approach reinforces the idea of the model as a planning tool that can produce financial strategies that work under any scenario.

Scenarios can highlight strengths and weaknesses across a variety of outcomes. Scenarios focus decisions on *critical values* – those are that are likely to have large impacts on a scenario. And scenarios will not predict what will happen, but will provide the flexible thinking required to respond *if*

something happens. Results are summarized by graphs, benchmarked to City financial policies.

Finance Department staff will use scenarios to inform deliberations for the 2014-2015 Budget. For purposes of this plan, staff modeled changes in revenue, expenditure, and debt assumptions to demonstrate the model structure and results, producing a **Baseline Scenario** and a **Balanced Scenario**. The introduction of these scenarios meets one of the primary objectives outlined in this plan: *Perform a financial analysis to evaluate the fiscal impact of proposed major expenditures and investments to determine a multi-year strategy for funding City priorities.*

2014-2019 Model Scenarios

The Baseline Scenario estimates the impact on financial ratios based on “what we know”: future assumptions with high probability and plausibility.

The Balanced Scenario demonstrates changes in revenue, expenditures, and debt assumptions that, if implemented, would achieve the City’s fund balance objectives to *achieve a structurally balanced budget and to develop a time-specific funding plan to meet the City’s adopted goal of maintaining a fund balance of at least two months’ worth of expenditures.* The fixes include the following:

- a 3.0% reduction in force and salary freeze in 2015-16;
- one-time savings of \$5 million this current year and \$11 million next year; and
- revenue enhancements of \$4 million.

Additionally, the Balanced Scenario model estimates the property tax impact of a \$150 million, five-year capital improvements bond program to be \$15 per year, every other year, on the average homeowner. This scenario is major step toward the plan objective to *adopt ratios for an optimal mix of infrastructure financing methods that protects the City’s investment, minimizes future replacement and maintenance costs, and ensures continued service.* Finally, the Balanced Scenario model addresses the plan objectives to *ensure the actuarial soundness of the City’s pension*

systems.

Link to the Budget

The model influences budget formulation by identifying financial parameters as part of the strategy to reach fiscal balance. The budget is then used to operationalize the financial plan by implementing specific financial strategies, funding service level preferences, identifying a set of spending assumptions, and linking operating, capital, and debt planning efforts. A successful plan is supported by strong guidance from the City Council on what the organization values and believes to be important as expressed through official policy. **Because the model is built to be flexible, staff anticipates annual enhancements to ensure a match between the financial plan and evolving service demands.**

Fiscal Years Ended 2014 - 2019 Financial Plan
Scenario Description: Baseline

Fiscal Years Ended 2014 - 2019 Financial Plan

Scenario Description: Baseline

Earnings tax annual increases of 2.5% (optimistic)

2013-14 municipal court fines collections are \$4 million lower than budget and remain at that lower level throughout the forecast period

No new employees and no salary increases 2016-2019

Unbudgeted fire overtime of \$6 million budgeted in 2013-14 and throughout the forecast period

Employer contributions to health insurance increase 5% per year

Actuarial required contributions and supplemental health funding to Police and Civilian pensions starting October 2013

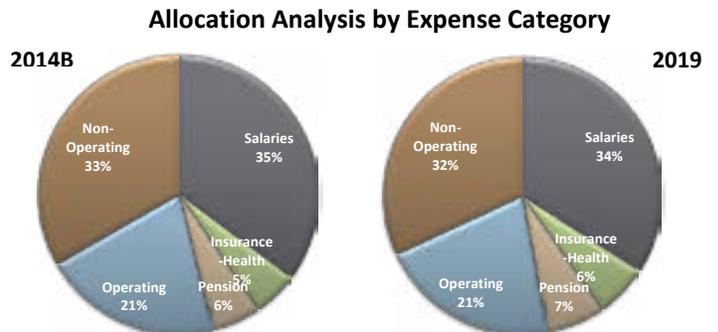
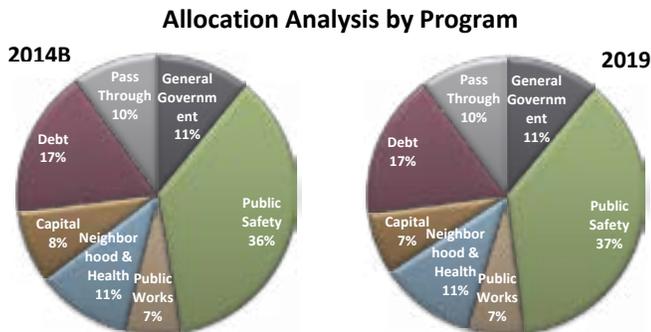
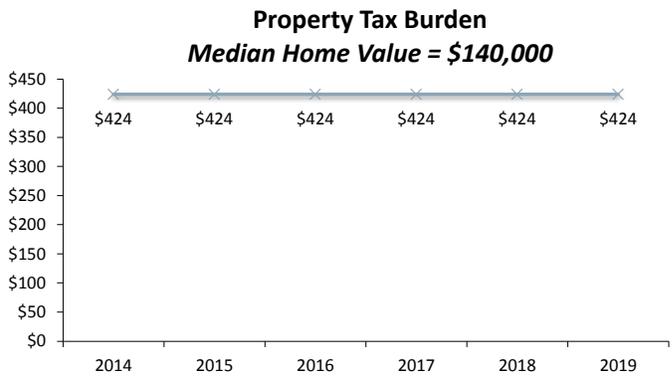
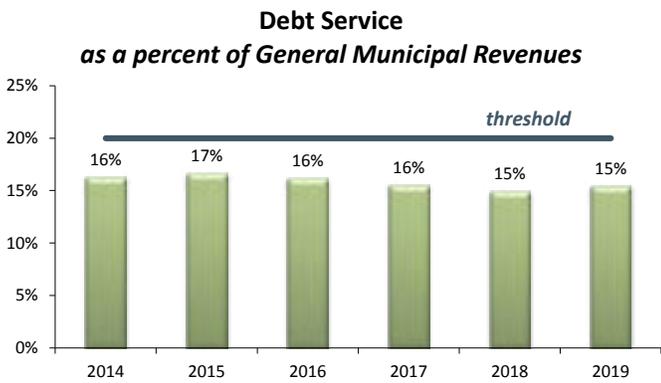
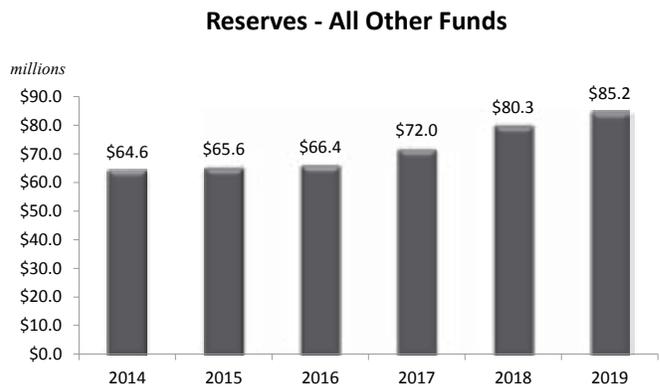
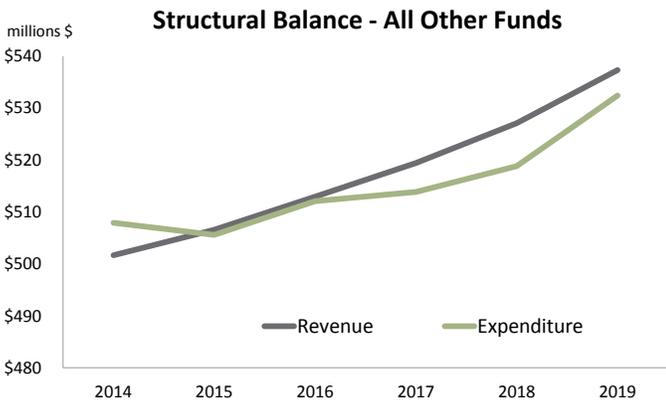
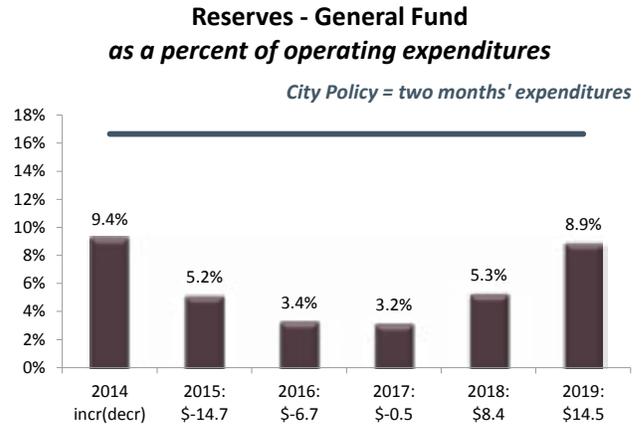
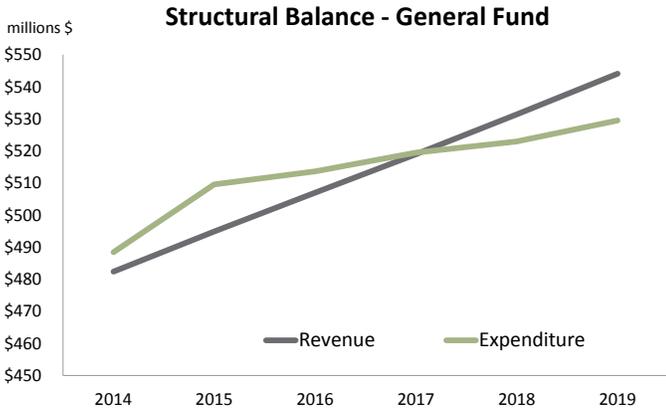
Actuarial required contributions to all pension systems starting May 2014

Expiration of SAFER grant results in reduction of 35 positions over 2 years

Highlighted Service Level Statistics

	2014	2015	2016	2017	2018	2019	
General Fund structural balance	0.99	0.97	0.99	1.00	1.02	1.03	
Annual Revenue Growth		2.6%	2.4%	2.4%	2.4%	2.4%	
Annual Expenditure Growth		4.3%	0.8%	1.1%	0.7%	1.3%	
General Fund fund balance	9%	5%	3%	3%	5%	9%	
target:	17%	17%	17%	17%	17%	17%	
Pension Funding Ratios	\$52.4	\$57.7	\$61.9	\$63.4	\$64.8	\$66.3	\$67.5
Employees' Retirement System	80.9%	81.0%	81.4%	81.8%	82.2%	82.6%	
Civilian Police	73.4%	74.1%	75.1%	75.9%	76.7%	77.3%	
Police	79.9%	80.4%	80.9%	81.4%	81.9%	82.3%	
Firefighters'	81.1%	81.3%	81.3%	81.6%	81.8%	81.9%	

Fiscal Years Ended 2014 - 2019 Financial Plan



Fiscal Years Ended 2014 - 2019 Financial Plan Assumptions

	10-Year Trends	2014 estimated	Annual				
			2015	2016	2017	2018	2019
Demographic Assumptions							
2014 estimated population		465,000					
Population growth	0.46%		0.5%	0.5%	0.5%	0.5%	0.5%
Revenue Assumptions							
Budget variance	-8% to +7%	1.0%					
Earnings Tax							
Rate			1.0%	1.0%	1.0%	1.0%	1.0%
Annual Increase	2.4%		2.5%	2.5%	2.5%	2.5%	2.5%
Sales Tax							
Rate			2.875%	2.875%	2.875%	2.875%	2.875%
Annual Increase	1.2%		1.5%	1.5%	1.5%	1.5%	1.5%
Property Tax							
Mill Levy			1.5932	1.5932	1.5932	1.5932	1.5932
Annual Increase	2.1%		1.5%	1.5%	1.5%	1.5%	1.5%
Utility Franchise Increase	4.1%		3.5%	3.5%	3.5%	3.5%	3.5%
Revenue additions/deletions		(4,000,000)	(1,700,000)	(570,000)	-	-	-
Employee Assumptions							
Annual employee additions (deletions)		-	(20.0)	(15.0)	-	-	-
Employees (FTE's) per 1,000 Population							
General Government		11.5	11.4	11.3	11.3	11.2	11.2
Police Uniform		1.7	1.7	1.7	1.7	1.7	1.7
Police Civilian		3.1	3.1	3.1	3.1	3.1	3.1
Fire Uniform		1.5	1.5	1.5	1.5	1.5	1.5
Fire Civilian		2.2	2.1	2.1	2.0	2.0	2.0
Public Infrastructure		0.7	0.7	0.7	0.7	0.7	0.7
Neighborhoods and Health		0.8	0.8	0.8	0.8	0.8	0.8
		1.6	1.6	1.6	1.6	1.6	1.5
Operating Scenarios							
General Fund Initiative 1		-	-	-	-	-	-
General Fund Initiative 2		-	-	-	-	-	-
Other Funds Initiative 1		-	-	-	-	-	-
Other Funds Initiative 2		-	-	-	-	-	-

Fiscal Years Ended 2014 - 2019 Financial Plan
Assumptions

	10-Year Trends	2014 estimated	Annual				
			2015	2016	2017	2018	2019
Expenditure Assumptions							
Budget variance	-4% to +8%	-1.0%					
Marginal Cost as a percent of Average Cost			70%	70%	70%	70%	70%
General Government							
Salaries			2.5%	0.0%	0.0%	0.0%	0.0%
Insurance-Health			5.0%	5.0%	5.0%	5.0%	5.0%
Operating			2.0%	2.0%	2.0%	2.0%	2.0%
Police							
Salaries			4.0%	0.0%	0.0%	0.0%	0.0%
Insurance-Health			5.0%	5.0%	5.0%	5.0%	5.0%
Operating			2.0%	2.0%	2.0%	2.0%	2.0%
Fire							
Salaries			2.4%	-1.2%	0.0%	0.0%	0.0%
Insurance-Health			4.1%	4.3%	5.0%	5.0%	5.0%
Operating			0.5%	0.8%	2.0%	2.0%	2.0%
Public Works							
Salaries			2.5%	0.0%	0.0%	0.0%	0.0%
Insurance-Health			5.0%	5.0%	5.0%	5.0%	5.0%
Operating			2.0%	2.0%	2.0%	2.0%	2.0%
Neighborhoods and Health							
Salaries			2.5%	0.0%	0.0%	0.0%	0.0%
Insurance-Health			5.0%	5.0%	5.0%	5.0%	5.0%
Operating			2.0%	2.0%	2.0%	2.0%	2.0%
Pension additions/reductions							
General Fund		1,750,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
All Other GA Funds		-	-	-	-	-	-
New Debt Issues							
General Fund			-	-	-	-	-
All Other GA Funds			-	-	-	-	-
PAYG Capital Projects							
Budgeted projects not in CIP		800,000	-	-	-	-	-
In-District		21,000,000	20,018,250	20,263,933	20,512,072	20,762,693	21,015,998
Roadways		30,052,729	27,623,798	27,165,221	33,210,342	33,433,875	32,100,000
Buildings		5,825,001	5,325,000	5,325,000	5,325,000	5,325,000	5,325,000
Parks and Recreation		6,669,366	3,444,366	3,444,366	3,444,366	3,444,366	3,444,366
Walkways		1,865,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Flood Control		5,899,942	3,600,000	7,371,684	1,958,095	2,200,000	2,200,000
Bridges		1,496,618	800,000	800,000	800,000	800,000	800,000

Fiscal Years Ended 2014 - 2019 Financial Plan

Five-Year Forecast Summary

	2014 budget	2014 estimate	2015	2016	2017	2018	2019
GENERAL FUND							
Revenue							
Earnings Tax	212,900,000	215,029,000	220,404,725	225,914,843	231,562,714	237,351,782	243,285,577
Sales Tax	-	-	-	-	-	-	-
Local Use Tax	32,700,000	33,027,000	33,522,405	34,025,241	34,535,620	35,053,654	35,579,459
Property	55,027,084	55,469,550	56,301,594	57,146,117	58,003,309	58,873,359	59,756,459
Utility Franchise	99,215,000	100,207,150	103,714,400	107,344,404	111,101,458	114,990,009	119,014,660
All Other	98,943,617	95,913,441	99,229,275	100,897,592	102,604,948	104,352,365	106,140,894
Redirections	(22,551,700)	(21,621,400)	(22,413,300)	(22,475,700)	(22,937,500)	(23,393,000)	(23,861,400)
Transfers In	4,347,365	4,347,365	4,129,894	4,138,953	4,148,148	4,157,480	4,166,953
Total Revenue	480,581,366	482,372,107	494,888,992	506,991,451	519,018,697	531,385,650	544,082,601
Expenditures by Program							
General Government	54,909,522	54,360,427	55,782,811	56,329,079	56,894,477	57,479,798	58,085,871
Police	185,010,428	183,160,324	190,056,699	191,680,295	193,366,128	195,116,932	196,935,569
Fire	78,857,048	84,068,477	87,253,129	88,092,663	88,965,513	89,873,172	90,817,204
Public Works	24,137,966	23,896,586	24,429,306	24,859,482	25,299,957	25,751,021	26,212,974
Neighborhoods and Health	22,656,982	22,430,412	22,970,941	23,303,794	23,645,855	23,997,436	24,358,862
Op Scenario: Initiative 1	-	-	-	-	-	-	-
Op Scenario: Initiative 2	-	-	-	-	-	-	-
Contingent Appropriation	4,800,000	4,800,000	4,900,000	5,100,000	5,200,000	5,300,000	5,500,000
Pension	42,467,204	47,827,779	52,593,869	53,980,634	55,222,402	56,571,365	57,679,207
Debt Service	16,265,812	16,436,311	17,514,324	15,251,475	15,348,680	12,415,006	10,185,222
Capital Improvements	-	-	-	-	-	-	-
Transfers Out	50,467,673	51,432,673	54,073,444	55,092,247	55,597,678	56,473,583	59,767,149
Total Expenditures	479,572,635	488,412,989	509,574,523	513,689,669	519,540,689	522,978,313	529,542,058
Expenditures by Category							
Salaries	238,061,334	241,680,721	250,613,770	250,613,770	250,613,770	250,613,770	250,613,770
Insurance-Health	37,673,382	37,296,648	39,161,481	41,119,555	43,175,532	45,334,309	47,601,024
Pension	42,467,204	47,827,779	52,593,869	53,980,634	55,222,402	56,571,365	57,679,207
Operating	61,064,780	60,454,132	61,663,215	62,896,479	64,154,409	65,437,497	66,746,247
Other Operating	28,772,450	28,484,726	29,054,420	29,635,508	30,228,219	30,832,783	31,449,439
Op Scenario: Initiative 1	-	-	-	-	-	-	-
Op Scenario: Initiative 2	-	-	-	-	-	-	-
Contingent Appropriation	4,800,000	4,800,000	4,900,000	5,100,000	5,200,000	5,300,000	5,500,000
Debt Service	16,265,812	16,436,311	17,514,324	15,251,475	15,348,680	12,415,006	10,185,222
Capital Improvements	-	-	-	-	-	-	-
Transfers Out	50,467,673	51,432,673	54,073,444	55,092,247	55,597,678	56,473,583	59,767,149
Total Expenditures	479,572,635	488,412,989	509,574,523	513,689,669	519,540,689	522,978,313	529,542,058
Reserves - General Fund	39,641,271	34,429,187	19,743,656	13,045,438	12,523,447	20,930,784	35,471,327
<i>percent of operating expenditures</i>	10.8%	9.4%	5.2%	3.4%	3.2%	5.3%	8.9%

Fiscal Years Ended 2014 - 2019 Financial Plan

Five-Year Forecast Summary

	2014 budget	2014 estimate	2015	2016	2017	2018	2019
ALL OTHER GOVERNMENTAL ACTIVITIES FUNDS							
Revenue							
Sales and Use Tax	202,400,000	204,424,000	205,873,719	208,961,825	212,096,252	215,277,696	218,506,861
Property	62,016,364	62,049,646	62,980,391	63,925,097	64,883,973	65,857,233	66,845,091
Tourism and Leisure	55,000,000	55,550,000	56,383,250	57,228,999	58,087,434	58,958,745	59,843,126
Licenses & Permits	3,804,754	3,842,802	3,862,016	3,881,326	3,900,732	3,920,236	3,939,837
Service Charges	41,486,138	41,900,999	43,158,029	44,452,770	45,786,353	47,159,944	48,574,742
Grants	62,050,544	62,671,049	60,971,049	60,401,049	60,401,049	60,401,049	60,401,049
All Other	21,403,058	21,617,089	22,049,430	22,490,419	22,940,227	23,399,032	23,867,013
Redirections	(20,908,900)	(20,796,900)	(22,152,600)	(23,288,100)	(24,422,700)	(24,941,900)	(25,441,090)
Rental Income	18,677,036	18,863,806	19,241,082	19,625,904	20,018,422	20,418,791	20,827,166
Transfers In	50,597,809	51,562,809	54,208,385	55,232,572	55,743,467	56,624,920	59,924,115
Total Revenue	496,526,803	501,685,300	506,574,752	512,911,860	519,435,210	527,075,745	537,287,912
Expenditures by Program							
General Government	36,230,640	35,868,334	36,710,169	37,222,680	37,748,382	38,287,689	38,841,025
Police	12,916,539	12,787,374	13,199,438	13,346,302	13,497,244	13,652,403	13,811,925
Fire	43,836,620	43,398,254	43,097,658	41,910,731	42,197,943	42,495,206	42,802,938
Public Works	32,897,977	32,568,997	33,343,309	33,866,282	34,403,387	34,955,088	35,521,871
Neighborhoods and Health	73,780,085	73,042,284	74,753,103	75,860,022	76,995,571	78,160,646	79,356,179
Op Scenario: Initiative 1	-	-	-	-	-	-	-
Op Scenario: Initiative 2	-	-	-	-	-	-	-
Pension	9,900,630	9,900,630	9,269,928	9,462,301	9,577,683	9,709,783	9,852,245
Debt Service	133,943,956	134,987,956	139,758,660	140,008,055	136,814,783	136,829,333	147,156,309
Capital Improvements	73,608,655	73,608,656	62,611,414	66,170,204	67,049,875	67,765,934	66,685,364
Pass through Programs	86,866,103	87,734,764	89,050,785	90,386,547	91,742,345	93,118,481	94,515,258
Transfers Out	4,021,396	4,021,396	3,803,925	3,812,984	3,822,179	3,831,511	3,840,984
Total Expenditures	508,002,601	507,918,644	505,598,389	512,046,108	513,849,391	518,806,074	532,384,098
Expenditures by Category							
Salaries	90,303,753	89,400,715	90,767,734	89,647,093	89,647,093	89,647,093	89,647,093
Insurance-Health	11,981,511	11,861,696	12,328,937	12,844,358	13,486,576	14,160,905	14,868,950
Pension	9,900,630	9,900,630	9,269,928	9,462,301	9,577,683	9,709,783	9,852,245
Operating	43,862,200	43,423,578	43,968,168	44,594,951	45,486,850	46,396,587	47,324,519
Other Operating	53,514,397	52,979,253	54,038,838	55,119,615	56,222,007	57,346,447	58,493,376
Op Scenario: Initiative 1	-	-	-	-	-	-	-
Op Scenario: Initiative 2	-	-	-	-	-	-	-
Debt Service	133,943,956	134,987,956	139,758,660	140,008,055	136,814,783	136,829,333	147,156,309
Capital Improvements	73,608,655	73,608,656	62,611,414	66,170,204	67,049,875	67,765,934	66,685,364
Pass through Programs	86,866,103	87,734,764	89,050,785	90,386,547	91,742,345	93,118,481	94,515,258
Transfers Out	4,021,396	4,021,396	3,803,925	3,812,984	3,822,179	3,831,511	3,840,984
Total Expenditures	508,002,601	507,918,644	505,598,389	512,046,108	513,849,391	518,806,074	532,384,098
Reserves - All Other Funds	53,458,195	64,602,740	65,579,102	66,444,854	72,030,673	80,300,344	85,204,158
<i>percent of expenditures</i>	<i>10.5%</i>	<i>12.7%</i>	<i>13.0%</i>	<i>13.0%</i>	<i>14.0%</i>	<i>15.5%</i>	<i>16.0%</i>

Fiscal Years Ended 2014 - 2019 Financial Plan
Scenario Description: Balanced

Fiscal Years Ended 2014 - 2019 Financial Plan

Scenario Description: Balanced

All assumptions of Baseline Scenario plus:

2013-14 municipal court fines collections are \$4 million lower than budget but revenue loss is made up in that or other source in 2014-15

General Fund one-time reductions of \$5 million in 2013-14 and \$11 million in 2014-15

3.0% reduction in General Fund employees in 2015-16 (117 positions)

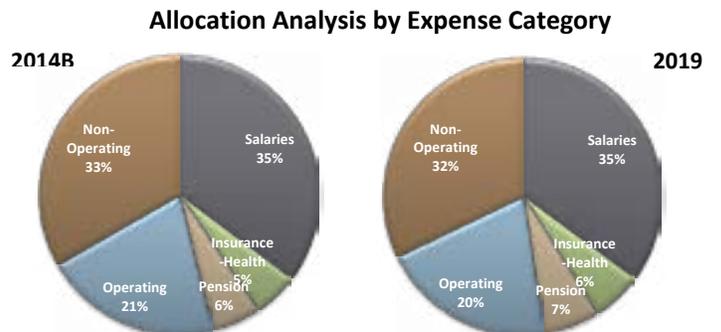
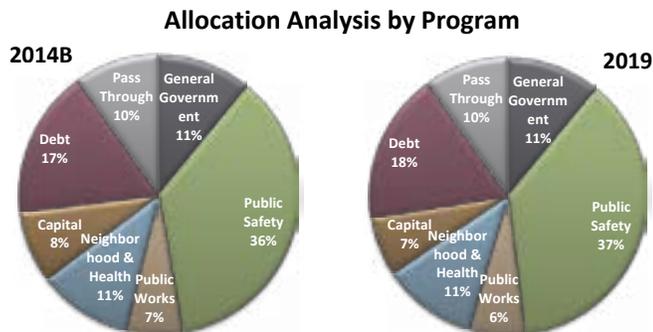
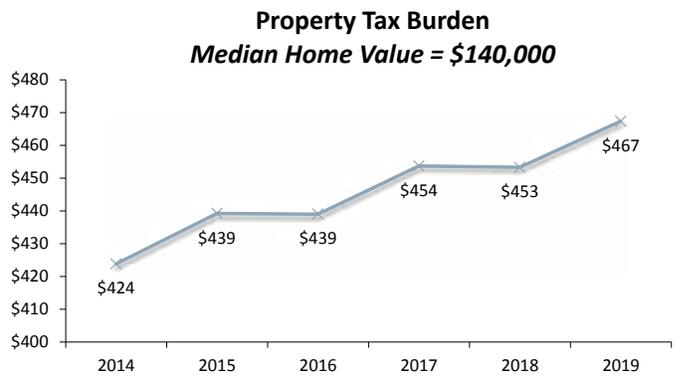
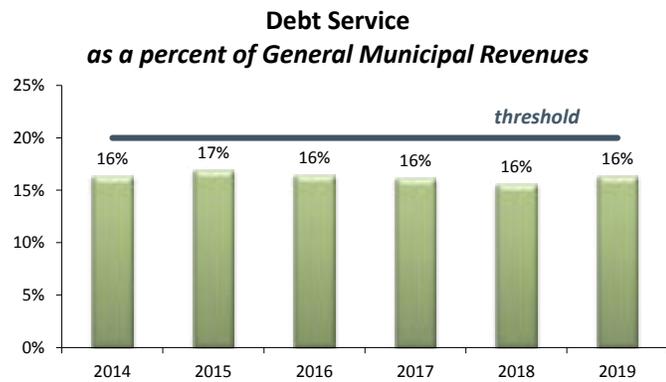
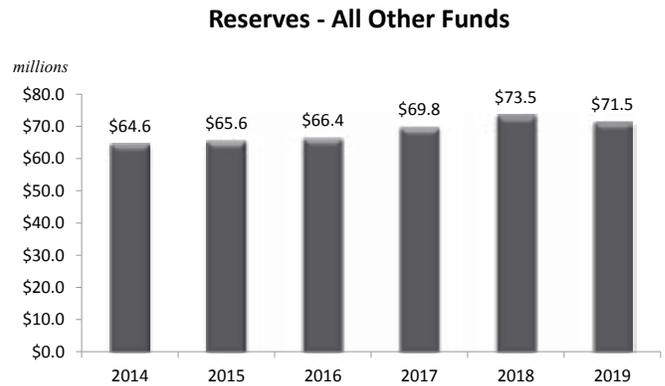
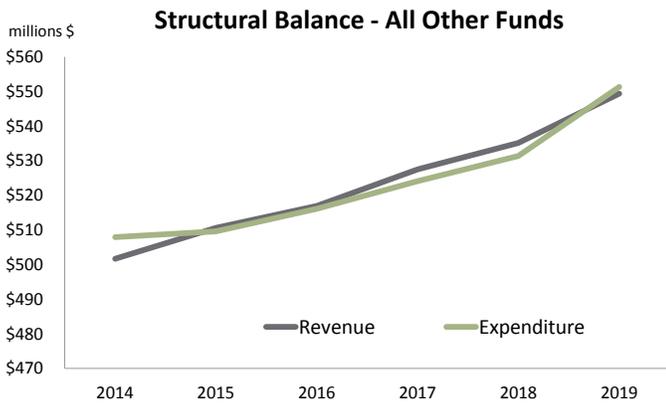
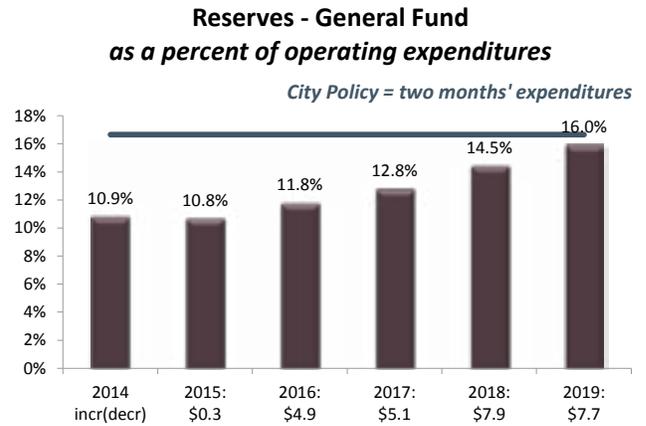
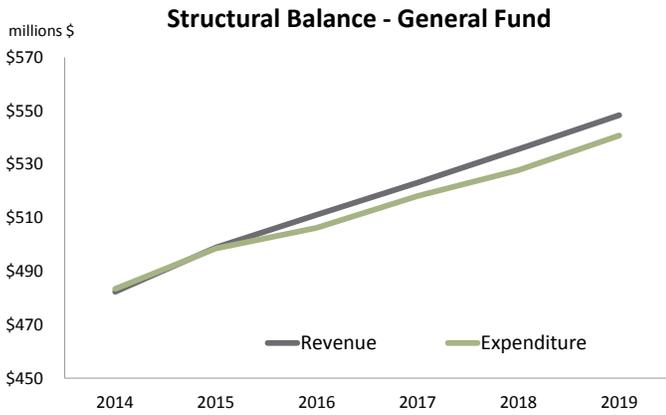
2.5% salary increases reinstated in 2016-17 after one year freeze

\$50 million in GO bonds issued every other year, repaid by increase in property tax debt levy

Highlighted Service Level Statistics

		2014	2015	2016	2017	2018	2019
General Fund structural balance		1.00	1.00	1.01	1.01	1.01	1.01
Annual Revenue Growth			3.4%	2.4%	2.4%	2.4%	2.4%
Annual Expenditure Growth			3.1%	1.5%	2.4%	1.9%	2.5%
General Fund fund balance		11%	11%	12%	13%	14%	16%
target:		17%	17%	17%	17%	17%	17%
Pension Funding Ratios	\$52.4	\$57.7	\$61.9	\$63.4	\$64.8	\$66.3	\$67.5
Employees' Retirement System		80.9%	81.0%	81.4%	81.8%	82.2%	82.6%
Civilian Police		73.4%	74.1%	75.1%	75.9%	76.7%	77.3%
Police		79.9%	80.4%	80.9%	81.4%	81.9%	82.3%
Firefighters'		81.1%	81.3%	81.3%	81.6%	81.8%	81.9%

Fiscal Years Ended 2014 - 2019 Financial Plan



Fiscal Years Ended 2014 - 2019 Financial Plan
Assumptions

	10-Year Trends	2014 estimated	Annual				
			2015	2016	2017	2018	2019
Demographic Assumptions							
2014 estimated population		465,000					
Population growth	0.46%		0.5%	0.5%	0.5%	0.5%	0.5%
Revenue Assumptions							
Budget variance	-8% to +7%	1.0%					
Earnings Tax							
Rate			1.0%	1.0%	1.0%	1.0%	1.0%
Annual Increase	2.4%		2.5%	2.5%	2.5%	2.5%	2.5%
Sales Tax							
Rate			2.875%	2.875%	2.875%	2.875%	2.875%
Annual Increase	1.2%		1.5%	1.5%	1.5%	1.5%	1.5%
Property Tax							
Mill Levy			1.5932	1.6511	1.6502	1.7056	1.7039
Annual Increase	2.1%		1.5%	1.5%	1.5%	1.5%	1.5%
Utility Franchise Increase	4.1%		3.5%	3.5%	3.5%	3.5%	3.5%
Revenue additions/deletions		(4,000,000)	2,300,000	(570,000)	-	-	-
Employee Assumptions							
Annual employee additions (deletions)		-	(20.0)	(132.3)	-	-	-
Employees (FTE's) per 1,000 Population							
General Government		11.5	11.4	11.1	11.0	11.0	10.9
Police Uniform		1.7	1.7	1.7	1.7	1.6	1.6
Police Civilian		3.1	3.1	3.0	3.0	3.0	3.0
Fire Uniform		1.5	1.5	1.4	1.4	1.4	1.4
Fire Civilian		2.2	2.1	2.0	2.0	2.0	2.0
Public Infrastructure		0.7	0.7	0.7	0.7	0.7	0.7
Neighborhoods and Health		0.8	0.8	0.8	0.8	0.8	0.7
		1.6	1.6	1.6	1.5	1.5	1.5
Operating Scenarios							
General Fund Initiative 1		(5,000,000)	(11,000,000)	-	-	-	-
General Fund Initiative 2		-	-	-	-	-	-
Other Funds Initiative 1		-	-	-	-	-	-
Other Funds Initiative 2		-	-	-	-	-	-

Fiscal Years Ended 2014 - 2019 Financial Plan Assumptions

	10-Year Trends	2014 estimated	<i>Annual</i>				
			2015	2016	2017	2018	2019
Expenditure Assumptions							
Budget variance	-4% to +8%	-1.0%					
Marginal Cost as a percent of Average Cost			70%	70%	70%	70%	70%
General Government							
Salaries			2.5%	-1.5%	2.5%	2.5%	2.5%
Insurance-Health			5.0%	3.4%	5.0%	5.0%	5.0%
Operating			2.0%	0.3%	2.0%	2.0%	2.0%
Police							
Salaries			4.0%	-2.0%	2.5%	2.5%	2.5%
Insurance-Health			5.0%	2.9%	5.0%	5.0%	5.0%
Operating			2.0%	-0.1%	2.0%	2.0%	2.0%
Fire							
Salaries			2.4%	-2.6%	2.5%	2.5%	2.5%
Insurance-Health			4.1%	2.5%	5.0%	5.0%	5.0%
Operating			0.5%	-0.6%	2.0%	2.0%	2.0%
Public Works							
Salaries			2.5%	-0.6%	2.5%	2.5%	2.5%
Insurance-Health			5.0%	4.3%	5.0%	5.0%	5.0%
Operating			2.0%	1.6%	2.0%	2.0%	2.0%
Neighborhoods and Health							
Salaries			2.5%	-0.5%	2.5%	2.5%	2.5%
Insurance-Health			5.0%	4.4%	5.0%	5.0%	5.0%
Operating			2.0%	1.6%	2.0%	2.0%	2.0%
Pension additions/reductions							
General Fund		1,750,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
All Other GA Funds		-	-	-	-	-	-
New Debt Issues							
General Fund			50,000,000	-	50,000,000	-	50,000,000
All Other GA Funds			50,000,000	-	50,000,000	-	50,000,000
PAYG Capital Projects							
Budgeted projects not in CIP		73,608,656	62,611,414	66,170,204	67,049,875	67,765,934	66,685,364
In-District		800,000	-	-	-	-	-
Roadways		21,000,000	20,018,250	20,263,933	20,512,072	20,762,693	21,015,998
Buildings		30,052,729	27,623,798	27,165,221	33,210,342	33,433,875	32,100,000
Parks and Recreation		5,825,001	5,325,000	5,325,000	5,325,000	5,325,000	5,325,000
Walkways		6,669,366	3,444,366	3,444,366	3,444,366	3,444,366	3,444,366
Flood Control		1,865,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Bridges		5,899,942	3,600,000	7,371,684	1,958,095	2,200,000	2,200,000
		1,496,618	800,000	800,000	800,000	800,000	800,000

Fiscal Years Ended 2014 - 2019 Financial Plan

Five-Year Forecast Summary

	2014 budget	2014 estimate	2015	2016	2017	2018	2019
GENERAL FUND							
Revenue							
Earnings Tax	212,900,000	215,029,000	220,404,725	225,914,843	231,562,714	237,351,782	243,285,577
Sales Tax	-	-	-	-	-	-	-
Local Use Tax	32,700,000	33,027,000	33,522,405	34,025,241	34,535,620	35,053,654	35,579,459
Property	55,027,084	55,469,550	56,301,594	57,146,117	58,003,309	58,873,359	59,756,459
Utility Franchise	99,215,000	100,207,150	103,714,400	107,344,404	111,101,458	114,990,009	119,014,660
All Other	98,943,617	95,913,441	103,229,275	105,007,592	106,797,148	108,628,409	110,502,459
Redirections	(22,551,700)	(21,621,400)	(22,413,300)	(22,475,700)	(22,937,500)	(23,393,000)	(23,861,400)
Transfers In	4,347,365	4,347,365	4,129,894	4,138,953	4,148,148	4,157,480	4,166,953
Total Revenue	480,581,366	482,372,107	498,888,992	511,101,451	523,210,897	535,661,694	548,444,166
Expenditures by Program							
General Government	54,909,522	54,360,427	55,782,811	55,279,916	56,733,711	58,229,504	59,768,669
Police	185,010,428	183,160,324	190,056,699	187,655,009	192,698,717	197,890,863	203,236,371
Fire	78,857,048	84,068,477	87,253,129	86,242,717	88,609,847	91,048,871	93,562,265
Public Works	24,137,966	23,896,586	24,429,306	24,683,257	25,234,349	25,798,769	26,376,885
Neighborhoods and Health	22,656,982	22,430,412	22,970,941	22,957,189	23,512,260	24,082,143	24,667,292
Op Scenario: Initiative 1	-	(5,000,000)	(11,000,000)	-	-	-	-
Op Scenario: Initiative 2	-	-	-	-	-	-	-
Contingent Appropriation	4,800,000	4,800,000	4,900,000	5,100,000	5,200,000	5,300,000	5,500,000
Pension	42,467,204	47,827,779	52,593,869	53,980,634	55,222,402	56,571,365	57,679,207
Debt Service	16,265,812	16,436,311	17,514,324	15,251,475	15,348,680	12,415,006	10,185,222
Capital Improvements	-	-	-	-	-	-	-
Transfers Out	50,467,673	51,432,673	54,073,444	55,092,247	55,597,678	56,473,583	59,767,149
Total Expenditures	479,572,635	483,412,989	498,574,523	506,242,443	518,157,643	527,810,104	540,743,058
Expenditures by Category							
Salaries	238,061,334	241,680,721	250,613,770	245,350,881	251,484,653	257,771,769	264,216,063
Insurance-Health	37,673,382	37,296,648	39,161,481	40,256,044	42,268,846	44,382,288	46,601,403
Pension	42,467,204	47,827,779	52,593,869	53,980,634	55,222,402	56,571,365	57,679,207
Operating	61,064,780	60,454,132	61,663,215	61,575,653	62,807,166	64,063,309	65,344,576
Other Operating	28,772,450	28,484,726	29,054,420	29,635,508	30,228,219	30,832,783	31,449,439
Op Scenario: Initiative 1	-	(5,000,000)	(11,000,000)	-	-	-	-
Op Scenario: Initiative 2	-	-	-	-	-	-	-
Contingent Appropriation	4,800,000	4,800,000	4,900,000	5,100,000	5,200,000	5,300,000	5,500,000
Debt Service	16,265,812	16,436,311	17,514,324	15,251,475	15,348,680	12,415,006	10,185,222
Capital Improvements	-	-	-	-	-	-	-
Transfers Out	50,467,673	51,432,673	54,073,444	55,092,247	55,597,678	56,473,583	59,767,149
Total Expenditures	479,572,635	483,412,989	498,574,523	506,242,443	518,157,643	527,810,104	540,743,058
Reserves - General Fund	39,641,271	39,429,187	39,743,656	44,602,664	49,655,918	57,507,508	65,208,616
<i>percent of operating expenditures</i>	10.8%	10.9%	10.8%	11.8%	12.8%	14.5%	16.0%

Fiscal Years Ended 2014 - 2019 Financial Plan

Five-Year Forecast Summary

	2014 budget	2014 estimate	2015	2016	2017	2018	2019
ALL OTHER GOVERNMENTAL ACTIVITIES FUNDS							
Revenue							
Sales and Use Tax	202,400,000	204,424,000	205,873,719	208,961,825	212,096,252	215,277,696	218,506,861
Property	62,016,364	62,049,646	66,992,520	67,937,226	72,908,232	73,881,491	78,881,479
Tourism and Leisure	55,000,000	55,550,000	56,383,250	57,228,999	58,087,434	58,958,745	59,843,126
Licenses & Permits	3,804,754	3,842,802	3,862,016	3,881,326	3,900,732	3,920,236	3,939,837
Service Charges	41,486,138	41,900,999	43,158,029	44,452,770	45,786,353	47,159,944	48,574,742
Grants	62,050,544	62,671,049	60,971,049	60,401,049	60,401,049	60,401,049	60,401,049
All Other	21,403,058	21,617,089	22,049,430	22,490,419	22,940,227	23,399,032	23,867,013
Redirections	(20,908,900)	(20,796,900)	(22,152,600)	(23,288,100)	(24,422,700)	(24,941,900)	(25,441,090)
Rental Income	18,677,036	18,863,806	19,241,082	19,625,904	20,018,422	20,418,791	20,827,166
Transfers In	50,597,809	51,562,809	54,208,385	55,232,572	55,743,467	56,624,920	59,924,115
Total Revenue	496,526,803	501,685,300	510,586,881	516,923,990	527,459,469	535,100,004	549,324,300
Expenditures by Program							
General Government	36,230,640	35,868,334	36,710,169	37,222,680	38,099,057	38,997,805	39,919,570
Police	12,916,539	12,787,374	13,199,438	13,346,302	13,672,189	14,006,668	14,349,991
Fire	43,836,620	43,398,254	43,097,658	41,910,731	42,994,398	44,108,028	45,252,536
Public Works	32,897,977	32,568,997	33,343,309	33,866,282	34,675,032	35,505,170	36,357,350
Neighborhoods and Health	73,780,085	73,042,284	74,753,103	75,860,022	77,643,027	79,471,746	81,347,513
Op Scenario: Initiative 1	-	-	-	-	-	-	-
Op Scenario: Initiative 2	-	-	-	-	-	-	-
Pension	9,900,630	9,900,630	9,269,928	9,462,301	9,577,683	9,709,783	9,852,245
Debt Service	133,943,956	134,987,956	143,770,789	144,020,184	144,839,042	144,853,592	159,192,697
Capital Improvements	73,608,655	73,608,656	62,611,414	66,170,204	67,049,875	67,765,934	66,685,364
Pass through Programs	86,866,103	87,734,764	89,050,785	90,386,547	91,742,345	93,118,481	94,515,258
Transfers Out	4,021,396	4,021,396	3,803,925	3,812,984	3,822,179	3,831,511	3,840,984
Total Expenditures	508,002,601	507,918,644	509,610,519	516,058,238	524,114,827	531,368,717	551,313,507
Expenditures by Category							
Salaries	90,303,753	89,400,715	90,767,734	89,647,093	91,888,271	94,185,477	96,540,114
Insurance-Health	11,981,511	11,861,696	12,328,937	12,844,358	13,486,576	14,160,905	14,868,950
Pension	9,900,630	9,900,630	9,269,928	9,462,301	9,577,683	9,709,783	9,852,245
Operating	43,862,200	43,423,578	43,968,168	44,594,951	45,486,850	46,396,587	47,324,519
Other Operating	53,514,397	52,979,253	54,038,838	55,119,615	56,222,007	57,346,447	58,493,376
Op Scenario: Initiative 1	-	-	-	-	-	-	-
Op Scenario: Initiative 2	-	-	-	-	-	-	-
Debt Service	133,943,956	134,987,956	143,770,789	144,020,184	144,839,042	144,853,592	159,192,697
Capital Improvements	73,608,655	73,608,656	62,611,414	66,170,204	67,049,875	67,765,934	66,685,364
Pass through Programs	86,866,103	87,734,764	89,050,785	90,386,547	91,742,345	93,118,481	94,515,258
Transfers Out	4,021,396	4,021,396	3,803,925	3,812,984	3,822,179	3,831,511	3,840,984
Total Expenditures	508,002,601	507,918,644	509,610,519	516,058,238	524,114,827	531,368,717	551,313,507
Reserves - All Other Funds	53,458,195	64,602,740	65,579,102	66,444,854	69,789,496	73,520,783	71,531,575
<i>percent of expenditures</i>	<i>10.5%</i>	<i>12.7%</i>	<i>12.9%</i>	<i>12.9%</i>	<i>13.3%</i>	<i>13.8%</i>	<i>13.0%</i>

The most important part of every business is to know what ought to be done.

Lucius Columell

CONCLUSION

This first edition of the Citywide Business Plan provides detail on three key components: the Strategic Planning Process, the Financial Strategic Plan, and the Five-Year Planning Model. The system is not designed to project the future financial situation of the City; however, it does provide an important benchmark for management to monitor and develop strategies for problem areas and to maintain positive trends.

With this system the Budget Division is now better positioned to work with departments in partnership—helping them develop multi-year plans that meet service goals, while staying consistent with financial realities. The Citywide Business Plan process is built to be flexible and dynamic, requiring annual updates, reviews, and enhancements that can be modified to reflect current priorities. Periodic reports are issued, but the process is never final.

Future enhancements will:

- Include enterprise operations
- Link expenditures to service outcomes
- Incorporate service level decision packages in budget deliberations

Key to the success of the plan is involvement of citizens and the business community. Public involvement in financial strategy development legitimizes the choices made to achieve structural balance, and ensures those choices reflect stakeholders' priorities and preferences for service levels. Citizens and the business community are customers of public services, owners by virtue of paying taxes and voting, and through strategic planning, can be partners in working to achieve public goals.

The strategic priorities and issues contained within this plan will provide the Mayor and City Council with the information necessary to formulate long-term strategies to ensure the availability of City services at a level appropriate to meet the needs of the community. The City is positioned to

begin transforming its budget process from an exercise in balancing revenues and expenditures one year at a time, to a tool that will be strategic in nature, encompassing a multi-year financial and operating plan that allocates resources based on the priorities identified by the City Council.

We are now better positioned to answer the central question entrusted to us by the Citizens' Commission on Municipal Revenue at the conclusion of their 2012 report:

What kind of City are we going to be,
will we be mediocre or will we be great,
and how do we balance the books to get there?

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